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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS

RESOLUTION NO. W-4936

Water and Sewer Advisory Branch

December 20, 2012

R E S O L U T I O N

(RES. W-4936), PARK WATER COMPANY (PARK). ORDER APPROVING, PARK'S REQUEST TO PERMIT PAYMENT OF WATER BILLS USING A CREDIT OR DEBIT CARD; AND ALLOWING PARK'S REQUEST TO PERMIT CUSTOMERS TO RECEIVE THEIR BILLING STATEMENTS ELECTRONICALLY.

By Advice Letter (AL) No. 231-W filed on May 10, 2012.

SUMMARY

This resolution approves Park's request to add an option to its tariffs that allows customers to pay their bills using a credit or debit card. Park's request is approved based on the following conditions: 1) Park charges a convenience fee charge not to exceed \$2.50 for each transaction; and 2) Park files a Tier 2 Advice Letter establishing a credit card memorandum account to record all costs associated with the credit card program that are previously authorized in rates that were or are incurred to support the credit and debit card payment options. The memorandum account shall also include any savings associated with offering the program. The net balance in the memorandum account shall be refunded to customers as part of Park's next general rate case (GRC).

This resolution approves Park's request to allow customers to receive water bills and most legally mandated notices electronically. Excluded from the credit/debit card payment option are customers who have made fraudulent payments over the last twelve months. Return check charges are extended to all payments that are not honored by customer's financial institution or payment processor. Park is authorized to file a Supplement to Advice Letter No. 231-W within five days of the effective date of this Resolution to modify Rule 9, Rendering and Payment of Bills (Tariff Rule 9), to permit these changes.

BACKGROUND

Park filed AL No. 231-W on May 10, 2012. In its filing, Park is requesting similar treatment as was afforded to Valencia Water Company (Valencia) in Res. W-4908 dated

April 19, 2012 pursuant to Industry Rule 8.2 (Request for Similar Treatment) of General Order 96-B (GO 96-B). Park seeks Commission authorization to:

- (1) Continue accepting payment of water bills by credit card pending disposition of this advice letter.
- (2) Establish a credit card memorandum account to record the costs and savings associated with the credit card program that are included in rates and the savings associated with the program that are not already included in rates.
- (3) Amend Tariff Rule 9, Rendering and Payment of Bills, to:
 - (a) Allow customers to pay their bills using a credit or debit card subject to a convenience fee of \$2.50 per transaction, charged by a third party vendor;
 - (b) Exclude from this service those customers who have made fraudulent payments over the last twelve months;
 - (c) Extend return-check charges for checks that are not honored by customers' financial institution to all forms of payment that are subsequently not honored by any financial institution or payment processor; and
 - (d) Permit customers to receive electronically their bills and most legally mandated notices.

NOTICE AND PROTEST

Park served AL No. 231-W pursuant to the requirements of GO 96-B, Rules 4.3 and 7.2, on its GO 96-B's Service List. Park noticed its customers of AL No. 231-W through a bill insert pursuant to requirements of GO 96-B, General Rule 4.2, and Water Industry Rule 3.1.

No protests to AL No. 231-W were received by the Division of Water and Audits (DWA).

DISCUSSION

Park has been offering its customers an option to pay bills by credit or debit card continuously since 2008 following a "pilot program" in 2007. Park has been offering its customers the option to pay water bills using credit and debit cards through a third party vendor since 2008.¹ To obtain this service, customers either log in to Park's

¹ In 2008, Park selected CSI, a third party vendor, to offer a service to its customers to pay their water bills using a credit or debit card. In 2009, CSI was replaced by Paymentus as the third party vendor. This was done because the company offered greater flexibility with fees,

Footnote continued on next page

website, or through its automated Interactive Voice Response (IVR) telephone service and are directed to a third party vendor who accepts the credit or debit card payments, charges, and collects a “convenience fees”, interfaces with the credit card company, and pays Park the amount of the customer’s bill. Only customers who use this service are charged the “convenience fees” by the third party vendor. Park does not receive any portion of the convenience fee revenue from the third party vendor.

1. *Park’s credit/debit card payment option*

Park states that it became aware that it needed to obtain Commission authorization prior to offering a credit/ debit card payment option to its customers pursuant to Public Utilities Code (PU Code) Section 755 after it received a copy of Draft Res. W-4908 in February 2012, authorizing credit and debit card services for Valencia. Park continued to offer these options and has requested that the Commission allow it to continue offering the option pending resolution of AL 231-W because discontinuation of this service would be an inconvenience to customers who have been using this service.

Compliance with PU Code § 755

PU Code § 755 permits water utilities to offer a credit or debit card bill payment option if approved by the Commission. Section 755 requires that only those customers choosing to use the credit or debit card payment option shall incur the additional charges associated with providing this service, unless and until the Commission determines that the credit or debit card payment option results in savings to ratepayers that exceed the net costs of accepting payment by those cards. (PU Code § 755(a) (2).)² The Commission is required to determine the reasonableness of transaction costs charged to customers that choose to pay their water bills by credit or debit card pursuant to PU Code § 755(c). If the Commission determines that the savings to the utility corporation exceed the costs to the company, the net savings shall be passed on to the utility corporation’s customers. (PU Code § 755(c) (3).)

Park believes that its request complies with PU Code § 755 (a)(2) because only customers that choose to use the credit and debit card payment options will incur the

settlement time, and consolidation of deposits as well as being a more qualified and experienced vendor.

² Public Utilities Code § 755 (a)(2) states:

“Only the customers that choose to use the [credit or debit card] payment options incur the additional charge and that no portion of the expense is shifted to customers that do not choose to pay a bill by credit card or debit card, unless and until the commission determines that the savings to ratepayers exceeds the net cost of accepting those cards.”

additional costs associated in providing these options, and no portion of these expenses is shifted to customers that do not pay their bills using a credit or debit card.

Park states that the program is not being offered as a cost savings measure, will not improve the company's profitability and is being offered as a service to its customers who expect and frequently request this service. Also, savings from its proposed credit and debit card payment program do not exceed the cost of accepting credit cards. PU Code Section 2107 lists fines that can be imposed on a public utility that violates a Commission order or decree.³ Because Park does not derive any financial benefits from offering these payment options and the costs involved in doing so are very small, we will not impose a penalty for Park's failure to comply with PU Code § 755(b) in this instance. However, we remind Park that it needs to be cognizant of requirements for Commission authorization mandated in the Public Utilities Code.

2. Establishment of credit card memorandum account

Park seeks to establish a credit card memorandum account to record the costs and savings associated with the credit card program that are included in rates and the savings associated with the program that are not already included in rates. The memorandum account would be in effect until December 31, 2015, or the effective date of Park's next GRC, with the net balance in the memorandum account subject to disposition in that proceeding.

In 2011, Park had a total of 12,693 credit card payments taken by a third party vendor. Park estimates that it will incur ongoing incremental net costs of \$27 per month for time spent by offering the credit/debit card payment option.⁴ Park also estimates that \$839 of legal expenses associated with legal review of the program in 2008 and 2009.

³ Public Utilities Code Section 2107 states :

“Any public utility that violates or fails to comply with any provisions of the constitution of this state or of this part, or that fails or neglects to comply with any part or provision of any order, decision, decree, rule, direction, demand, or requirement of the Commission, in a case in which a penalty has not otherwise been provided, is subject to a penalty of not less than five hundred dollars (\$500), nor more than fifty thousand dollars (\$50,000) for each offense.”

⁴ Park estimates that \$77 per month for time spent by customer service representatives (CSR) on the telephone assisting customers for credit card program. These costs are offset by savings of \$50 per month from an estimated 3 reduced shutoffs associated with timely payment of bills using credit cards.

Park has indicated that costs associated with legal review of the credit card program, customer notices, any additional costs for maintaining the service offering and other future costs not currently identifiable will be absorbed as shareholder expense.

Based on the above, Park's total estimated cost for the program from 2008 through 2012 is \$2,459.⁵

We conclude that recovery of costs with respect to a credit and debit card program from the general body of non-participating customers should not be permitted, given that Park has not shown that the credit and debit card option offers any net savings at this time. As a condition of our approval of Park's request to continue offering customers a credit and debit card payment option, we accept Park's proposal to establish a memorandum account by filing a Tier 2 Advice Letter. In this memorandum account, Park shall record all costs previously authorized in rates that are being used to support the credit and debit card payment options. This would include all ongoing maintenance, operation and capital costs needed to support this payment option. In addition, all cost of noticing the program shall be accounted for in the memorandum account until Park files its next GRC. Park shall also record in this memorandum account any savings arising from the reduced number of shutoffs associated with timely payment of bills using debit or credit cards. The net balance in the memorandum account shall be refunded to customers as part of Park's next GRC. Further, in its next GRC filing, Park shall remove all costs associated with the debit and credit card payment program that are included in base rates. The costs that are removed from base rates can either be charged to customers who use the optional credit and debit card payment options as authorized by the Commission in Park's next general rate case or absorbed by Park's shareholders. This will ensure that Park's credit/debit card payment option is compliant with PU Code Section 755.

3. Reasonableness of convenience fees

Park states that it selected its third party vendor, Paymentus, to offer the credit and debit card services. The selection of the vendor was based on the vendor's experience in offering such services, flexibility with fees, settlement time, and consolidation of deposits. Park was able to negotiate a convenience fee of \$2.50 per transaction with the vendor and is satisfied with the quality of service provided. No competitive bidding was used for vendor selection.

⁵ Net costs from 1/1/2008 through 12/31/2012 @ \$27/month: \$27/month *60 months = \$1,620
Legal expenses for 2008-2009: \$839
Total amount before interest: \$2,459

Park states that the number of customers participating in its credit and debit card program is small. So it does not have the leverage to negotiate a lower convenience fees. The convenience fee of \$2.50 per transaction is the same as that approved for Valencia in Res. W-4908, dated April 19, 2012.

We find that a convenience fee of \$2.50 per transaction for this optional service is a reasonable charge. In view of the fact that the customer base using this optional service is small, Park is unable to obtain volume discounts that larger utilities are able to receive for offering this service. Park's request is reasonable and Tariff Rule 9 should be modified accordingly. However, we encourage Park to periodically visit the credit and debit card charges with a view of negotiating a lower convenience fees for this offering. Further, Park is reminded that before any increase in the convenience fee can be instituted it must seek authorization from the Commission.

4. Excluding certain customers from credit card/debit card services

Park seeks to exclude from the credit/debit card program customers who have made fraudulent payments in the past twelve months.

We believe that customers who have made fraudulent payments over the past twelve months should be excluded from being offered the credit/debit card payment option because they pose an extra level of collection risk. We agree with DWA staff's recommendation that Park's request is reasonable and Tariff Rule 9 should be modified to not extend the credit/debit card payment option to customers who have made fraudulent payments over the past twelve months.

5. Extending returned check fees for other financial institutions

Park proposes to amend its tariffs to extend the returned check charge to all forms of payment, including payment made by a credit or debit card, that are subsequently dishonored by any financial institution or payment processor.

The language in the tariffs, which currently assesses a charge only with respect to dishonored check payments, should be amended to impose a charge on all forms of payments that may be returned by financial institutions. This will permit Park to charge customers who make the dishonored payments, rather than requiring the general body of ratepayers to absorb these costs as part of authorized rates. We agree with DWA staff's recommendation that Park's request is reasonable and Tariff Rule 9 should be modified to extend a dishonored check-payment charge to cover all transactions where a financial institution rejects a payment.

6. Availability of electronic statements

Park seeks to provide customers the option to receive regular bills for service electronically, and to receive most legally mandated notices electronically at the same time the customer is provided the electronic bill.⁶

Customers should be given the option, at no extra cost, to receive electronically regular bills for service and other legally mandated and to no longer receive these items in paper format. We agree with DWA staff's recommendation that Park's request is reasonable and authorize modification of Tariff Rule 9 to reflect this change.

COMMENTS

PU Code Section 311(g) (1) provides that resolutions generally must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. This is an uncontested matter that grants the relief requested. Pursuant to PU Code § 311(g) (2), this Resolution was not circulated for public comment.

FINDINGS AND CONCLUSIONS

1. Park Water Company (Park) has been offering its customers the option to pay their water bills by credit or debit card since 2008.
2. Public Utilities Code § 755 requires Commission approval prior to offering a credit/debit card bill payment option to customers of a water corporation.
3. Park Water Company continued offering the credit/debit card bill payment option even after learning that Commission approval was required prior to offering credit/debit card services.
4. Public Utilities Code Section 2107 lists fines that can be imposed on a public utility that violates a Commission order or decree.
5. Park Water Company did not profit from offering the option for bill payment by credit/debit card, and the costs it incurred for offering this service were small. It is reasonable to not impose a penalty on it for offering a credit/debit card payment option without Commission authorization in this instance.

⁶ Park will continue to provide written notices of termination of service in accordance with Rule No. 8.

6. Park Water Company needs to be cognizant of requirements for Commission authorization mandated in the Public Utilities Code.
7. Park Water Company filed Advice Letter 231-W requesting authority (a) to continue to offer its water customers a credit/debit card bill payment option, (b) to allow customers to receive electronically their bills and most legally notices, (c) to extend returned check charges to apply to all forms of payment that are dishonored by the customers' financial institution, and (d) not to extend the credit/debit card payment option to customers who have had fraudulent payments within the last twelve months.
8. All revenues arising from the convenience fees paid for making payments using a credit or debit card flow directly to the third party vendor.
9. Customers who do not use the credit or debit card bill payment option service are not charged any costs related to providing this service.
10. Public Utilities Code § 755 permits water utilities to offer a credit or debit card bill payment option if approved by the Commission.
11. Public Utilities Code § 755 requires that only those customers choosing to use the credit or debit card bill payment option incur the additional charges associated with providing this service, unless the Commission determines that the credit or debit card bill payment option results in savings to ratepayers that exceed the net costs of accepting payment by those cards.
12. Public Utilities Code § 755 requires the Commission to determine the reasonableness of transaction costs charged to customers who choose to pay their water bills using the credit or debit card bill payment option pursuant to this section.
13. Park Water Company proposes a convenience fee of \$2.50 per transaction to be collected by its third party vendor from customers who opt to pay their water bill using a credit or debit card.
14. It is reasonable for customers to pay a convenience fee of \$2.50 for using a credit or debit card to pay water bills.
15. Public Utilities Code § 755 requires the Commission to determine how any associated costs or potential savings from credit or debit card bill payment are passed on to the customers.

16. Park Water Company was not charged by its vendor for enhancements required to offer credit/debit card service.
17. Park Water Company shall record all costs previously authorized in rates that are being used to support the credit and debit card payment options including all ongoing maintenance, operation and capital costs pertaining to the credit/debit card option in a credit card memorandum account. It shall also record in this memorandum account any savings arising from the reduced number of shutoffs associated with timely payment of bills using debit or credit cards. The net balance in the memorandum account shall be refunded to customers as part of its next general rate case.
18. Park Water Company's shareholders will pay for all costs associated with legal review, customer notices, and any additional costs for maintaining the service offering and other future costs not currently identifiable but related to the credit card program.
19. Park Water Company shall remove all costs associated with the debit and credit card payment program that are included in base rates in its next general rate case. The costs that are removed from base rates can either be charged to customers who use the optional credit and debit card payment options as authorized by the Commission in its next general rate case or absorbed by its shareholders.
20. Park Water Company's proposal to exclude the net costs for providing credit/debit card bill payment services starting with the effective date of its credit/debit card program is reasonable. The memorandum account authorized is the appropriate mechanism for recording all costs and savings associated with providing credit/debit card bill payment services.
21. Park Water Company's cost/savings analysis indicates that offering the credit/debit card bill payment service will not result in net savings to the utility at this time.
22. Park Water Company's cost/savings analysis indicates that it incurred \$2,459 for the credit card program from 2008 through 2012. That amount plus interest should be recorded in the credit card memorandum account.
23. It is reasonable to expect additional costs to collect from customers who have made fraudulent payments in the past.
24. It is reasonable to exclude customers who have made fraudulent payments over the past twelve months from participating in credit/debit card bill payment option.

25. Park Water Company's current tariffs permit a returned-check charge as a deterrent to customers who write bad checks.
26. Financial institutions may reject payments made electronically.
27. It is reasonable to modify the Tariff Rule No. 9 to establish a credit/debit card bill payment program and to extend a dishonored payment charge to cover all transactions where a financial institution rejects a payment, consistent with Appendix A attached to this Resolution.
28. It is reasonable to permit customers to receive at no extra charge billing statements and other legally mandated notices electronically. Park Water Company should file a Supplement to Advice Letter No. 231-W modifying Tariff Rule No. 9, Rendering and Payment of Bills, consistent with Appendix A attached to this Resolution.

THEREFORE IT IS ORDERED THAT:

1. Park Water Company's Advice Letter No. 231-W, is approved consistent with directions provided below: Tariff Rule No. 9, Rendering and Payment of Bills, shall be modified consistent with the authorization in this Resolution to: 1) allow customers the option to receive electronically at no extra charge billing statements and legal and mandated notices; 2) offer an optional credit/debit card bill payment option to all customers; and 3) extend the dishonored check payment charge to all dishonored checks and electronic payments consistent with the language shown in Appendix A of this Resolution, and to concurrently cancel the presently effective tariff sheets. Park Water Company shall file the Supplement to Advice Letter No. 231-W within five days of the effective date of this Resolution.
2. Park Water Company's proposal to continue to allow customers to pay their water bills by credit or debit card on an optional basis is approved. The charge for offering such a service shall be \$2.50 per transaction to be paid by those customers who use this service.
3. Within thirty days of this Resolution, Park Water Company is ordered to file a Tier 2 advice letter, to establish a credit card memorandum account authorized by this Resolution to record all costs and savings associated with providing credit/debit card payment services. The balance in the memorandum account shall be refunded to the general body of ratepayers as part of Park Water Company's next general rate case.

4. Park Water Company, as part of its next general rate case, shall remove all ongoing costs associated with providing credit/debit card payment options from its base rates consistent with Public Utilities Code Section 755.
5. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on December 20, 2012; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

APPENDIX A
Sheet 1

Rule No. 9

RENDERING AND PAYMENT OF BILLS

A. Rendering of Bills

Bills for service will be rendered each customer on a monthly or bi-monthly basis at the option of the utility, unless otherwise provided in the rate schedule.

At the customer's request, the utility may be requested to provide either paper or electronic bills for service will be rendered, but not both. (N)

The customer may elect to receive and view regular bills for service and other legal and mandated notices electronically and to no longer receive paper bills and legal and mandated notices. Customers requesting this option may be required to complete additional forms and agreements. Legal and mandated notices shall be included with the utility's electronic means of bill delivery; except however, all notices of termination of service shall be made in accordance with Rule No. 8. The customer may discontinue electronic billing upon 30 days prescribed notice. (N)

1. Metered Service (L)

a. Meters will be read at regular intervals for the preparations of periodic bills and as required for the preparation of opening bills, closing bills, and special bills.

b. The opening bill for metered service will not be less than the established monthly minimum of readiness-to-serve charge for the service. Any amount paid in excess of the prorated charges otherwise applicable to the opening period will be credited against the charge for the succeeding regular billing period, except that no such credit shall accrue if the total period of service is less than one month.

c. It may not have always been practicable to read meters at intervals which will result in billing period of equal numbers of days.

(1) Should a monthly billing period contain less than 27 days or more than 33 days a pro rata correction in the amount of the bill will be made. (L)

(continued)

APPENDIX A
Sheet 2

Rule No. 9
(continued)

RENDERING AND PAYMENT OF BILLS

- (2) The charge for metered service for a bi-monthly period will be computed by doubling the monthly minimum or readiness-to-serve charge and the number of cubic feet to which each block rate is applicable on a monthly basis. (L)
 - (3) For billing periods other than monthly or bi-monthly, adjustments will be made proportionate to that for a monthly billing period.
 - d. Bills for metered service will show at least the reading of the meter at the end of the period for which the bill is rendered, the meter constant, if any, the number and kind of units, and date of the current meter reading.
 - e. Each meter on a customer's premises will be considered separately and the readings of two or more meters will not be combined except where combination of meter readings is specifically provided for in the applicable rate schedule, or where the utility's operating convenience of necessity may require the use of more than one meter or a battery of meters. In the latter case, the monthly minimum or readiness-to-serve charges will be prorated from the monthly minimum or readiness-to-serve charges of the applicable rate schedule upon the basis of a meter size equivalent in diameter to the total combined discharge areas of such meters.
2. Flat Rate Service
- a. Bills for flat rate service are payable in advance.
 - b. The opening bill for flat rate service will be the established monthly charge for the service. Any amount paid in excess of the prorated charges otherwise applicable to the opening period will be credited against the charge for the succeeding regular billing period, except that no such credit shall accrue if the total period of service is less than one month.
 - c. For billing periods other than monthly, the charge for flat rate service will be computed by multiplying the monthly charge by the number of months in the billing period. (L)

(continued)

APPENDIX A
Sheet 3

Rule No. 9
(continued)

RENDERING AND PAYMENT OF BILLS

3. Proration of Bills (L)

a. The charges applicable to opening periods, closing bills, and bills rendered for periods corresponding to less than 27 days or more than 33 days for monthly billing periods will be computed as follows:

(1) Metered Service

The amount of the minimum charge (and the quantity allowed therefore) or the readiness-to-serve charge and the quantity in each of the several quantity rate blocks will be prorated on the basis of the ratio of the number of days in the period to the number of days in an average billing period. The measured quantity of usage will be applied to such prorated amounts and quantities.

(2) Flat Rate Service

The billing period charge will be prorated on the basis of the ratio of the number of days in the period to the number of days in an average billing period.

(3) Average Billing Period

The number of days in an average billing period is defined as 365 divided by the number of billing periods in a year. (It is 30.4 days for a monthly billing period.)

B. Payment of Bills

Bills for service are due and payable upon presentation and payment may be made at any commercial office of the utility or to any representative of the utility authorized to make collections. Collection of closing bills may be made at the time of presentation.

1. The utility may charge \$12.50 for any bad check or electronic fund transfer not honored.

(continued)

APPENDIX A
Sheet 4

Rule No. 9
(continued)

RENDERING AND PAYMENT OF BILLS

B. Payment of Bills (continued)

(N)

2. Credit/Debit Card Option

At the option of the customer a credit or debit card payment can be made through a third party vendor. A non-refundable convenience fee of \$2.50 per transaction shall apply. That convenience fees will be over and above the utility bill amount and may be charged to the customer by a third party vendor for this service and will not be on the utility billing statement. For customers with more than one account, a separate transaction fee is necessary for each account. This payment option is not available to customers who have made fraudulent payments within the last 12 months.

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(N)

(END OF APPENDIX A)