

PROPOSED RESOLUTION

Resolution W-5018
DWA

AGENDA ID #13620

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5018
January 29, 2015

RESOLUTION

(RES. W-5018), BAKMAN WATER COMPANY. ORDER APPROVING BAKMAN WATER COMPANY'S REQUEST TO PERMIT PAYMENT OF WATER BILLS USING A CREDIT OR DEBIT CARDS OR AUTOMATIC CLEARING HOUSE/ELECTRONIC CHECK AS BILL PAYMENT OPTIONS.

**By Advice Letter No. 75-W filed on October 20, 2014,
Supplemental Advice Letter No. 75-W-A filed October 28, 2014.**

SUMMARY

This Resolution approves Bakman Water Company's (BWC) request to allow customers, at the customers' option, to pay their water service bills using a credit or debit card or Automatic Clearing House/electronic check through a third party vendor for a fee. For each credit or debit card or Automatic Clearing House/electronic check payment the third party vendor will charge a non-refundable fee of \$2.95. Customers may pay their water bills using one of these payment options in person, via telephone, through a provided internet/web-based system or through a Customer Service Representative-assisted system. The \$2.95 fee is charged directly to the customer by the third party vendor, and will produce no revenue for BWC itself. Approval of bill payment using a credit or debit card or Automatic Clearing House/electronic check system is conditioned on BWC establishing, by a Tier 2 Advice Letter, a memorandum account. BWC is to record all current and future costs currently included in base rates associated with the proposed payment options and any savings arising from the reduced number of shutoffs associated with timely payment of bills using the new payment options. Any net balance in the memorandum account shall be refunded to customers in BWC's next general rate case. BWC will not receive any revenue from the \$2.95 transaction fee, customers not utilizing the credit or debit card or Automatic Clearing House/electronic check payment option will not incur any fee or other

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expenses associated with these payment options, and water service and rates are not affected by the approval of payment options.

BACKGROUND

BWC filed Advice Letter (AL) No. 75-W on October 20, 2014, seeking Commission authorization to offer the following payment options for a BWC bill for a transaction fee:

- (a) Utilizing an internet/web portal or Customer Service Representative-assisted (CSR) system using credit or debit cards or Automatic Clearing House/electronic (ACH/electronic) check provided by a third party vendor, for a nonrefundable \$2.95 transaction fee charged directly by the vendor to the customer.

The October 20, 2014 AL filing also includes a request for “Interactive Voice Response (IVR) payment authorization whereby an additional fee would be charged by the third party vendor for using the IVR system.” In addition, the AL includes proposed Tariff changes for bill payment that referenced the IVR service and cost for use of the service. On October 28, 2014, BWC served a Supplemental filing to AL No.75-W clarifying that BWC is not seeking authorization for IVR service or fees at this time because it is not an option BWC customers indicated that they needed at this time. The Supplemental filing also includes a new Tariff sheet that accurately reflects the fact that IVR authorization is not part of the AL request.

In addition, the October 28, 2014 Supplemental filing requests Commission authorization to:

- (b) Open a Payment Processing Costs Memorandum Account to track the additional costs or savings BWC may incur for use of the [bill paying option] service including fees charged to BWC for additional services (i.e. Paperless Bill Presentment), employee training costs and incremental charges to general administrative expenses that result from the proposed payment options and transaction fees.

BWCs’ Proposed Payment Options

BWC seeks authority to utilize a third-party vendor to offer its customers electronic bill payment options using credit or debit cards or ACH/electronic check for payment of

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water bills - for a non-refundable transaction fee of \$2.95 charged directly to the customer by the vendor.

Proposed Payment Options

BWC requests the Proposed Payment Options in response to suggestions from its customers. Customers told BWC CSRs, sent BWC emails and responded to a customer survey that they wanted the opportunity to utilize electronic payment options. BWC filed AL No.75-W in response to that customer interest.

BWC asserts that the program is being offered as a service to its customers and not as a cost savings measure and will not improve the company's profitability. However, BWC opines that providing these payment options might lead to fewer bill delinquencies and shut-offs that could save customers re-connection fees and save BWC office staff time on delinquency collections.

The company further asserts that it will not receive any revenue from the service; customers not utilizing this service will not incur any fee or other expenses; and water service and rates will not be affected by the proposed payment options.

Vendor Selection and Proposed Contract

BWC requested proposals for the Proposed Payment Options from three vendors:

- Invoice Cloud Presentation and Payment Partnership
- Valley Business Bank Merchant Services
- QuickBooks Merchant Services by Intuit.

After a thorough review of the proposals, BWC recommends using Invoice Cloud (IC) for electronic bill presentation and payment processing because IC's proposal provides:

- The highest level of compatibility and integration with billing and accounting software.
- The most flexibility in payment options and accepted credit/debit card options.
- An automated paperless enrollment and print program.
- Email notifications.
- An online payment and electronic bill presentation portal for customers.
- An effective over-the-counter payment acceptance system for BWC billing staff.

IC proposes charging each customer for each electronic bill paying transaction a non-refundable fee of \$2.95. This \$2.95 fee will be charged directly to the customer if the customer uses a credit or debit card or ACH/electronic check payment option in person,

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via telephone, through an internet web/based system or through a CSR-assisted system. BWC's Supplemental AL filing clarified that this \$2.95 per transaction fee is the only fee IC will charge for utilizing the bill payment options approved in this Resolution.

IC will charge BWC implementation and setup fees pursuant to IC's Pricing Proposal and BWC, the Company, will pay these fees as well as any other IC or bank-related fees incurred as a result of establishing the electronic bill-paying options. These payments by BWC will not be passed on to BWC water customers in the form of a direct fee or charge assessed to those customers. BWC may track any such payments in the memorandum account authorized by this Resolution and may be offset against any savings realized by the payment options.

NOTICE

On October 20, 2014, BWC filed and served AL No. 75-W on parties on its AL service list, and on October 28, 2014 BWC filed a Supplemental AL (AL No.75-W-A) and served it on the AL service list. Service meets the requirements of General Order (GO) 96-B, General Rule 4.3.

DISCUSSION

Compliance with Public Utilities Code § 755

Public Utilities (PU) Code § 755 permits water utilities to offer a credit or debit card bill payment option if approved by the Commission. This code section also allows the reasonable expenses incurred by providing these electronic options to be recovered only from those customers choosing to use the approved payment option. No portion of these electronic payment option expenses may be shifted to customers that do not choose to use one of these payment options, 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)).

Reasonableness of \$2.95 Fee

PU Code § 755(c) requires the Commission to make a determination regarding the reasonableness of transaction costs charged to customers who use a credit or debit card option. BWC states that the \$2.95 fee per transaction proposed by IC is competitive with other service providers and is commensurate with the convenience provided to customers choosing one of these payment options. In addition, as BWC states in its AL, charging the \$2.95 only to customers voluntarily choosing an electronic payment

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option is compliant with PU Code §755(a)(2) . No portion of any expenses associated with these payment options are shifted to other customers not choosing to pay their water bill with an electronic payment option.

The \$2.95 that IC proposes to directly charge customers voluntarily using one of the electronic payment options compares favorably with charges that we authorized on October 17, 2014 for Great Oaks Water Company in Resolution W-4979. We find that the proposed fee for this optional service is reasonable and should be approved.

PU Code § 755 (a)(3) requires that the acceptance of credit or debit cards neither increases nor decreases the profitability of the water corporation. BWC states that since BWC receives no portion of the \$2.95 transaction fee IC will charge directly to BWC customers choosing to use an electronic payment option, this proposal is fully compliant with PU Code § 755 (a)(3).

Establishment of Memorandum Account

In its October 28, 2014 Supplemental AL filing, BWC requests authorization to open a Payment Processing Costs Memorandum Account to track the additional costs and savings BWC may incur for use of the bill payment option service including fees charged to BWC for additional services (i.e. Paperless Bill Presentment), employee training costs and incremental charges to general administrative expenses that result from the proposed electronic bill payment options.

The Commission grants this request and directs BWC to open a memorandum account to track all the transaction costs incurred by offering the credit or debit or ACH/electronic check voluntary payment options for customers. BWC may also book into this account any implementation or access fees that are paid by the Company to setup and establish the payment options.

BWC opines and the Commission agrees, that in other situations where the Commission has approved electronic bill payment options for water utilities the utilities realize savings from fewer service disconnections per month because of timely bill payments. In addition, there could be BWC office staff savings since less time might be spent on delinquent bill collection.

BWC is to book into this memorandum account both any costs it incurs or pays as well as any potential savings it realizes from the implementation of the electronic bill payment options. Then "If the commission determines that the savings to the . . . water corporation exceeds the costs to the . . . water corporation, the net savings *shall* be passed on to . . . water corporation customers." PU Code § 755(c)(3) (emphasis added).

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Therefore, as a condition of our approval of BWC's request to offer its proposed optional payment services, we require BWC to file a Tier 2 Advice Letter establishing a memorandum account to book the following: all costs previously authorized in rates that have been used to develop this offering, the cost of noticing the program, and savings from reduced number of shutoffs associated with timely payment of bills using the proposed payment options. The net balance in the memorandum account shall be reviewed as part of BWC's next general rate case. Further, in its next general rate case filing, BWC shall remove all costs associated with the credit or debit card or ACH/electronic check 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 proposed optional payment option or absorbed by BWC, the Company. This will ensure compliance of BWC's proposed payment options with PU Code § 755. This is also consistent with our policy adopted in Resolution W-4979 on October 17, 2014 for Great Oaks Water Company.

COMMENTS

Since no protest or response was received to AL No.75-W, or to the Supplemental AL No.75-W-A, PU Code § 311(g) (3) permits uncontested matters pertaining to water corporations to proceed without a 30 day public review and comment period. As such, this resolution was not circulated for comment.

FINDINGS AND CONCLUSIONS

1. Bakman Water Company (BWC) filed Advice Letter (AL) No.75-W requesting authority to offer its customers options to pay their water bills using a credit or debit card or Automatic Clearing House/electronic (ACH/electronic) check.
2. BWC filed a Supplement to AL No.75-W requesting authority to establish a memorandum account to track expenses and savings associated with the proposed payment options.
3. BWC served AL No. 75-W on its service list on October 20, 2014, and BWC served a Supplement to AL No. 75-W on October 28, 2014. This service is considered sufficient notice under General Order 96-B, General Rule 4.3.

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4. Public Utilities Code § 755 permits water utilities to offer a credit card or debit card bill payment option if approved by the Commission.
5. 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 cost of accepting payment by those cards.
6. Public Utilities Code § 755 requires the Commission to determine the reasonableness of transaction costs charged to customers that choose to pay the water corporation using an electronic option, credit or credit card or ACH/electronic check, and the Commission finds that the \$2.95 non-refundable charge per transaction that the third-party vendor, Invoice Cloud (IC) will directly charge a customer using an electronic payment option reasonable.
8. Customers who do not elect to use the Proposed Payment Options will not be charged for any costs related to providing this service.
9. IC's Payment Proposal to BWC includes implementation and access fees for the initiation of the payment options and BWC, the Company, will pay these fees, will not pass the fees on to any customers not utilizing an electronic payment option, and will be allowed to book these costs in the memorandum account.
10. BWC will incur additional fees for establishing the proposed electronic payment options including, but not limited to programming, testing and training of its staff, including extra CSR training, and updating accounting records. It is reasonable that BWC track all these associated costs for implementation of the electronic payment options in the memorandum account.

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11. BWC shall also track all verifiable savings from reduced shut offs because of credit or debit card or ACH/electronic check payments by customers. BWC shall file a Tier 2 Advice Letter to open that memorandum account. The net balance, if any, in the memorandum account will be reviewed as part of BWC's next general rate case.
12. It is reasonable for BWC to modify its Tariff Rule No. 9 to establish a credit or debit card or ACH/electronic check bill program option consistent with Appendix A attached to this Resolution.

THEREFORE IT IS ORDERED THAT:

1. Bakman Water Company's request in Advice Letter No.75-W, as supplemented by Advice Letter No. 75-W-A, to allow customers to pay their water service bills using a credit or debit card or Automatic Clearing House/electronic check payment option, in person, via telephone, using an on-line customer payment web portal, or Customer Service Representative-assisted system, through a third party vendor, for a non-refundable per transaction fee charged directly to the customer, is approved
2. Establishment of the bill payment option adopted in Ordering Paragraph 1 above is conditioned on Bakman Water Company establishing, by a Tier 2 Advice Letter, a Memorandum Account to record all current and future costs currently included in base rates associated with the costs of providing the electronic payment options and any savings arising from the reduced number of shutoffs associated with timely payment of bills using these payment options. Bakman Water Company shall file this memorandum account advice letter within 30 days of this Resolution.

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3. Any net balance in the memorandum account established in Ordering Paragraph 3 above shall be reviewed in Bakman Water Company's next general rate case.

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 January 29, 2015; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

APPENDIX A

Bakman Water Company
Fresno County

Original

P.U.C. Sheet No. 528-W
Cancelling _____

Rule No. 9

(N)

RENDERING AND PAYMENT OF BILLS

(continued)

B. Payment of Bills (continued)

(2) Credit Card, Debit Card, and ACH/Electronic Check Payment Options

At the option of the customer, a credit card, debit card, or ACH/electronic check payment may be made. These payments will be accepted through the use of a vendor(s), and a non-refundable convenience/transaction fee shall apply. For credit card, debit card, and ACH/electronic check payments made through the provided internet/web-based system and/or through the provided Customer Service Representative Assisted system, the convenience/transaction fee shall be \$2.95 per transaction. All convenience/transaction fees are paid by the customer directly to the vendor and not to the utility.

(N)

(To be inserted by utility)

Advice Letter No. 75-A

Decision No. _____

Issued By

Tim Bakman

President

(To be inserted by P.U.C.)

Date Filed _____

Effective _____

Resolution No. _____

(END APPENDIX A)

CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W-5018 on all parties in these filings or their attorneys as shown on the attached lists.

Dated January 16, 2015, at San Francisco, California.

/s/DANIEL SONG

Daniel Song

BAKMAN WATER COMPANY

ADVICE LETTER NO. 75-A SERVICE LIST

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