

PROPOSED RESOLUTION

Resolution W-5023
DWA

AGENDA ID #13663

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5023
February 12, 2015

RESOLUTION

(RES. W-5023) SAN GABRIEL VALLEY WATER COMPANY (U-337-W).
ORDER APPROVING SAN GABRIEL VALLEY WATER COMPANY'S
REQUEST TO PERMIT PAYMENT OF WATER BILLS USING A CREDIT
OR DEBIT CARDS OR ELECTRONIC CHECK ADMINISTERED BY A
THIRD-PARTY VENDOR AS BILL PAYMENT OPTIONS.

By Advice Letter No. 451-W filed on November 26, 2014

SUMMARY

This Resolution approves San Gabriel Valley Water Company's (San Gabriel) request to allow customers, at the customers' option, to pay their water service bills using a credit or debit card or electronic check through a third party vendor for a fee. For each credit or debit card or electronic check payment the third party vendor will charge a non-refundable fee of \$2.50. Customers may pay their water bills using one of these payment options on-line or by phone through Interactive Voice Response (IVR), through a provided internet/web-based system or through a toll-free telephone number provided in English and Spanish for IVR. The \$2.50 fee is charged directly to the customer by the third party vendor and will produce no revenue for San Gabriel itself. Approval of bill payment using a credit or debit card or electronic check system is conditioned on San Gabriel establishing, by a Tier 2 Advice Letter, a memorandum account. San Gabriel is to record in this memorandum account 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 San Gabriel's next general rate case. San Gabriel will not receive any revenue from the \$2.50 transaction fee, customers not utilizing the credit or debit card or electronic check payment option will not incur any fee or other expenses associated with these payment options, and water service and rates are not affected by the approval of payment options.

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BACKGROUND

San Gabriel filed Advice Letter (AL) No. 451-W on November 26, 2014, seeking Commission authorization to offer the following payment options for a San Gabriel residential water bill for a transaction fee:

- (a) Residential customers may choose the option of paying their bills on-line or over the phone by allowing San Gabriel to accept payments by credit or debit cards or electronic checks administered by a third-party vendor;
- (b) San Gabriel's third-party vendor, Paymentus, will charge a convenience fee of \$2.50 to the customer's credit or debit card or electronic check for each transaction.

San Gabriel's Proposed Payment Options

San Gabriel currently offers different forms of payment options for residential customers to choose, but does not offer credit or debit card or electronic check payment options. San Gabriel has received numerous requests from its residential customers requesting the option to make their water service payments through credit or debit cards or electronic checks utilizing on-line or phone service through IVR. Customers already have credit or debit cards or electronic checks as a payment option for most other utility services, including electric and gas service.

San Gabriel asserts that the program is being offered as a service to its customers and not as a cost saving measure and will not improve the company's profitability. The company further states that it will not receive any revenue from the service; customers not utilizing this service will not incur any fee or other expense; and water service and rates will not be affected by the proposed payment options.

Vendor Selection and Proposed Contract

San Gabriel mailed Requests for Proposals to six service providers:

- RT Lawrence Corporation
- Western Union
- 2C Processor USA
- Paymentus
- Wells Fargo
- Bank of America.

RT Lawrence Corporation, Western Union, 2C Processor USA and Paymentus responded with bids. San Gabriel reviewed the proposals under the following

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categories: (a) customer fees; (b) utility costs; (c) payment channels; (d) IVR toll free numbers; (e) settlement period; (f) product uptime; (g) service provider company history; and (h) e-bill capabilities. After careful review, San Gabriel selected Paymentus as its third party vendor. San Gabriel states in its AL filing that Paymentus is the same third party vendor approved by the Commission in Resolution No. W-4936, dated January 10, 2013 for Park Water Company.

Paymentus proposes charging each customer for each electronic bill paying transaction a non-refundable fee of \$2.50. This \$2.50 fee will be charged directly to the customer if the customer uses a credit or debit card or electronic check payment option.

Transaction fees related to the use of credit or debit cards or electronic checks will not be charged to or passed through to other San Gabriel customers. In addition, other costs related to Paymentus setup and customer-returned items and charge-backs will not be charged to or passed through to San Gabriel customers. No portion of the convenience fee will be collected or kept by San Gabriel.

San Gabriel will continue to send the monthly water bill directly to residential customers. If San Gabriel's AL is approved, San Gabriel will provide information about all the payment options to its customers in the form of notices to be inserted with San Gabriel's billing statements and by posting a link on its website.

In its November 26, 2014 AL filing, San Gabriel set forth how the proposed payment option with Paymentus will operate: Residential customers who wish to use a credit or debit card or electronic check will be directed through San Gabriel's website to Paymentus. Paymentus accepts the credit or debit payment or electronic check, charges the customer a non-refundable \$2.50 fee, handles any transaction there is with the credit card company, and then pays San Gabriel the amount of the customer's bill, after retaining the \$2.50 fee. IVR will be available through a toll-free telephone number provided in English and Spanish.

San Gabriel will not accept credit or debit cards directly, and San Gabriel will not receive any portion of the \$2.50 assessed by Paymentus to the customer. Any costs associated with the implementation and setup fees for the payment options plans by Paymentus will either be absorbed by San Gabriel's existing in-house staff or will be paid by San Gabriel. These payments by San Gabriel will not be passed on to San Gabriel's water customers. San Gabriel may track any such payments in the memorandum account authorized by this Resolution, and the payments may be offset against any savings realized by the payment options.

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NOTICE

On November 26, 2014, San Gabriel filed and served AL No. 451-W on parties on its AL service list in accordance with Water Industry Rule 4.1 of General Order No. 96-B.

DISCUSSION

Compliance with Public Utilities Code § 755

Public Utilities (PU) Code § 755 permits water utilities to offer a credit or debit card or electronic check (electronic payment) 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)).

San Gabriel's proposed electronic payment option utilizing Paymentus complies with PU Code § 755. 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.

Reasonableness of \$2.50 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 or electronic check option. San Gabriel states that the \$2.50 fee per transaction proposed by Paymentus is competitive with other service providers and is commensurate with the convenience provided to customers choosing one of these payment options. The \$2.50 that Paymentus proposes to directly charge customers who voluntarily use 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 the proposed convenience fee structure for this optional service to be reasonable and should be approved.

PU Code § 755 (a)(3) requires that the acceptance of credit or debit cards neither increases or decreases the profitability of the water corporation. San Gabriel states that since San Gabriel receives no portion of the \$2.50 transaction fee Paymentus will charge

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directly to San Gabriel 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 November 26, 2014 AL filing, San Gabriel requests authorization to open a memorandum account to track the additional costs and savings San Gabriel may incur for use of the proposed electronic bill paying option, including fees charged to San Gabriel for additional services, 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 San Gabriel to file a Tier 2 AL to establish a memorandum account to track all the transaction costs incurred by offering the credit or debit or electronic check voluntary payment options for customers. San Gabriel may also book into this account any implementation or access fees that are paid by the Company to setup and establish the payment options. The net balance in the memorandum account shall be reviewed as part of San Gabriel's next general rate case (GRC). This will ensure that San Gabriel's payment options are compliant with PU Code § 755. This is also consistent with our policy approved for Great Oaks Water Company in Resolution W-4979.

San Gabriel posits that if the Commission approves its AL request for electronic payment options, all San Gabriel customers will receive significant benefice without any additional charge. As San Gabriel states in its AL, all customers will have free access to electronic bill presentation, both on-line and by e-mail at the customers' option. Payment reminders will also be available electronically. All San Gabriel residential water customers will be able to view bills, payment history, and utility messages through portals made available to all customers by Paymentus as an additional free service. (AL No. 451, November 26, 2014, p. 4.)

COMMENTS

No protest or response was received to AL No. 451-W. 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.

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FINDINGS AND CONCLUSIONS

1. San Gabriel Valley Water Company (San Gabriel) filed Advice Letter (AL) No. 451-W requesting authority to offer its customers options to pay their water bills using a credit or debit card or electronic check.
2. San Gabriel served AL No. 451-W on its service list on November 26, 2014. This service is considered sufficient notice under Water Industry Rule 4.1 of General Order 96-B.
3. Public Utilities Code § 755 permits water utilities to offer a credit or debit card bill payment option if approved by the Commission.
4. Public Utilities Code § 755 requires that only those customers choosing to use the credit or debit card 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.
5. Public Utilities Code § 755 requires the Commission to determine the reasonableness of transaction costs charged to customers that choose to pay the water company using a credit or debit card option, and the Commission finds that the \$2.50 non-refundable charge per transaction that the third-party vendor, Paymentus will directly charge a customer using a debit or credit card or electronic check option is reasonable.
6. Customers who do not elect to use the proposed payment options will not be charged for any costs related to providing this service.
7. Paymentus's payment proposal to San Gabriel includes implementation and access fees for the initiation of the payment options. San Gabriel 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 a memorandum account.
8. San Gabriel will incur additional fees for establishing the proposed electronic payment options including, but not limited to programming, testing and training of its staff and updating accounting records. It is reasonable that San Gabriel track all these associated costs for implementation of the electronic payment options in a memorandum account.

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

THEREFORE, IT IS ORDERED THAT:

1. San Gabriel Valley Water Company's request in Advice Letter No. 451-W, to allow customers to pay their water service bills using a credit or debit card or electronic check payment option online or by phone through Interactive Voice Response, through a provided internet/web-based system or through a toll-free telephone number provided in English or Spanish via telephone, through third party vendor. Paymentus, for a non-refundable per transaction fee of \$2.50 charged directly to the customer, is approved.
2. Establishment of the bill payment option adopted in Ordering Paragraph 1 above is conditioned on San Gabriel Valley 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. San Gabriel Valley 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 2 above shall be reviewed in San Gabriel Valley 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 February 12, 2015; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

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APPENDIX A

Rule No. 9

RENDERING AND PAYMENT OF BILLS

(continued)

3. Proration of Bills (continued)

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

(1) 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.

(2) At the option of the residential customer, electronic payments including automatic electronic transfers, credit or debit cards and e-check payments may be made. Credit or debit cards and electronic-check payments will be accepted through the use of a third-party vendor designated by the utility, and a non-refundable convenience fee of \$2.50 per transaction shall be charged to the customer by the third party. Customers are limited to a maximum amount of \$200 per payment. Multiple payments may be made. If a customer has more than one customer account, a separate transaction is needed for paying each account. The non-refundable convenience fee will apply for each transaction completed and will be added as a charge to the credit or debit card or e-check account by the third-party vendor and not Sa Gabriel.

(N)

(3) Credit or debit card or e-check payment options will not be available to residential customers who have incurred two or more dishonored payments within the last 12 months or who have made a fraudulent payment.

(N)

C. Returned Check Charge

The utility may charge \$20.00 for any bad check or electronic fund transfer not honored.

END OF APPENDIX A

SAN GABRIEL VALLEY WATER COMPANY
ADVICE LETTER NO. 451
FONTANA WATER COMPANY DIVISION – SERVICE LIST

Kendall H. MacVey, Esq.
Best, Best & Krieger, LLP
3750 University Avenue
Riverside, CA 92501

West Valley Water District
Post Office Box 920
Rialto, CA 92377

City of Colton Water Department
650 North La Cadena Drive
Colton, CA 92324

Kiki Carlson
Suburban Water Systems
kcarlson@swwc.com

Cucamonga Valley Water District
Post Office Box 638
Rancho Cucamonga, CA 91730

Debbie Brazill
Deputy City Manager
City of Fontana
8353 Sierra Avenue
Fontana, CA 92335

Chuck Hays
Public Works Director
City of Fontana Public Service Department
16489 Orange Way
Fontana, CA 92335

Marvin T. Sawyer, District Counsel
Fontana Unified School District
9680 Citrus Avenue, Bldg. No. 4
Fontana, CA 92335

Kathleen Rollings-McDonald, Executive Director
Local Agency Formation Commission for
San Bernardino County
215 North D Street, Suite 204
San Bernardino, CA 92415

City of Ontario Water Department
303 East B Street
Ontario, CA 91764

City of Rialto Water Department
150 South Palm Avenue
Rialto, CA 92376

SAN GABRIEL VALLEY WATER COMPANY
ADVICE LETTER NO. 451
LOS ANGELES COUNTY DIVISION – SERVICE LIST

City of Arcadia
240 West Huntington Drive
Arcadia, CA 91006

City Clerk, City of Baldwin Park
14403 East Pacific Avenue
Baldwin Park, CA 91706

California-American Water Company
1033 B Ave. Suite 200
Coronado, CA 92118-3439

City of El Monte Water Department
11333 Valley Boulevard
El Monte, CA 91734

City of Industry Waterworks System
Post Office Box 3136
La Puente, CA 91744

City Clerk, City of Irwindale
5050 North Irwindale Avenue
Irwindale, CA 91706

City Clerk, City of La Puente
15900 East Main Street
La Puente, CA 91744

La Puente Valley County Water District
112 North 1st Street
La Puente, CA 91744

City of Montebello Water Department
1600 West Beverly Boulevard
Montebello, CA 90640

City of Monterey Park Water Department
320 West Newmark Avenue
Monterey Park, CA 91754

City of Pico Rivera Water Department
6615 Passons Boulevard
Pico Rivera, CA 90660

Pico Water District
Post Office Box 758
Pico Rivera, CA 90660-0758

City Clerk, City of West Covina
1444 West Garvey Avenue
West Covina, CA 91790

City Clerk, City of Rosemead
8838 Valley Boulevard
Rosemead, CA 91770

City Clerk, City of San Gabriel
425 South Mission Drive
San Gabriel, CA 91778

San Gabriel County Water District
8366 East Grand Avenue
Rosemead, CA 91770

City of Santa Fe Springs Water Department
Post Office Box 2120
Santa Fe Springs, CA 90670

City Clerk, City of South El Monte
1415 Santa Anita Avenue
South El Monte, CA 91733

Golden State Water Company
Attn: Ronald Moore, Regulatory Affairs
630 East Foothill Boulevard
San Dimas, CA 91773

Suburban Water Systems
Attn: Bob Kelly
1325 N. Grand Ave., Suite 100
Covina, CA 91724

Valley County Water District
14521 East Ramona Boulevard
Baldwin Park, CA 91706

City of Whittier Water Department
13230 East Penn Street
Whittier, CA 90602

California Public Utilities Commission
Office of Ratepayer Advocates
505 Van Ness Avenue
San Francisco, CA 94102-4208

Kiki Carlson
Suburban Water Systems
kcarlson@swwc.com