

DWA/RSK/BMD/JB5/RKK/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4908
April 19, 2012

R E S O L U T I O N

**(RES. W-4908), VALENCIA WATER COMPANY (VALENCIA).
ORDER APPROVING IN PART, WITH CONDITIONS, VALENCIA'S
REQUEST TO PERMIT PAYMENT OF WATER BILLS USING A
CREDIT OR DEBIT CARD; AND ALLOWING VALENCIA'S
REQUEST TO PERMIT CUSTOMERS TO RECEIVE THEIR BILLING
STATEMENTS ELECTRONICALLY.**

By Advice Letter (AL) No. 137 filed on June 9, 2011.

SUMMARY

This resolution approves in part, with conditions, Valencia's request to add an option to its tariffs that allows customers to pay their bills using a credit or debit card. Valencia's request is approved based on the following conditions: 1) Valencia reduces the convenience fee charge to \$2.50 for each transaction; 2) Valencia makes available the credit and debit card payment options to customers who have two or more denied credit or debit payments within the last twelve months; and 3) Valencia files a Tier 2 Advice Letter establishing a memorandum account to record all costs previously authorized in rates that are being used to support the credit and debit card payment options, and 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 Valencia's next general rate case. Further, in its next general rate case filing, Valencia shall remove all costs associated with the debit and credit card payment options that are included in base rates.

This resolution approves Valencia's request to allow customers to receive electronically their water bills and most mandated notices. Valencia is authorized to file a Tier 1 Advice Letter to change Tariff Rule 9 to allow customers to receive bills and other legally mandated notices electronically, as permitted in this Resolution. This resolution authorizes Valencia to file as part of this Tier 1 Advice Letter changes to its Rule 9 to extend a dishonored check-payment charge to cover all transactions where a financial institution rejects a payment.

Finally, this resolution rejects Valencia's proposal to not extend the credit or debit card payment option to customers with a prior history of payments that were dishonored by their financial institution and, as discussed above, makes offering the availability of a credit or debit card payment option to these customers a condition that Valencia must meet in order to establish a credit or debit card payment option program.

BACKGROUND

Valencia filed AL No. 137 on June 9, 2011. Valencia seeks Commission authorization to:

- (1) Permit payment of water bills using a credit or debit card Pursuant to Public Utilities (PU) Code §755;
- (2) Amend Tariff Rule 9 to:
 - (a) permit customers to receive electronically their bills and most legally mandated notices;
 - (b) extend returned-check charges to cover all forms of payments that are dishonored by the customers' financial institution, and/or a payment processor; and
 - (c) not extend the credit and debit card payment options to customers who have two or more denied credit or debit payments within the last twelve months or who have fraudulent payments.

Valencia's Proposed Credit/Debit Card Payment Option

By AL No. 137, Valencia requests Commission authorization to reinstate a credit and debit card payment program that was originally implemented on April 29, 2009. That program was subsequently discontinued on May 5, 2010, because Valencia offered this program without first obtaining Commission authorization.

Valencia's proposal would permit customers the option to pay their water bills by using a credit or debit card. Valencia's proposal includes a "convenience fee" applicable to participating customers, which will cover transaction costs based on Valencia's agreement with a third party vendor, Kubra, who will process these credit and debit card payments.¹ Valencia chose the payment processor, after contacting multiple

¹ The payment processor vendor will charge the customer directly for the credit or debit card payment.

venders offering a payment option based on a convenience fee, because this vendor has experience in implementing payment by a convenience fee and is the current vendor partner with Valencia's existing customer information software (CIS) company, System & Software (S&S). Kubra is fully integrated with the CIS software and can provide real time data back and forth with a customer making a transaction using the CIS, e.g., getting an account balance, viewing the status of a payment, etc.² Also Kubra charged a lower convenience fee than other companies Valencia considered.

Per terms of the contract, only those customers who pay by credit or debit card will pay a convenience fee of \$3.75 for each transaction to the payment processor. Customers will be able to make the payments by phone (using Interactive Voice Response) or through the web. Upon receipt of payment, the payment processor will post a memo to the customer's account and notify Valencia regarding the payment made. No fees or expenses related to the use of credit or debit cards will be charged to customers who do not use this service. Valencia will not receive any portion of the convenience fee revenue.

Valencia proposes to exclude those customers from the credit or debit card payment option who have two or more denied credit/debit card payments, or who have made a fraudulent payment, within the last 12 months.

Charges for dishonored payments

Valencia currently assesses a return-check charge for checks that are not honored by the customers' financial institution. Valencia seeks permission to extend that charge to apply to all forms of payment that are subsequently not honored by any financial institution or payment processor.

Availability of electronic statements

Valencia seeks to provide customers the option to receive, view, and pay regular bills for service electronically, and to receive most legally mandated notices electronically at the same time the customer is provided the electronic bill.³

On June 27, 2011, the Division of Water and Audits (DWA) suspended AL No. 137 because additional information was required to complete review of the filing.

² Data Request RK 001, Request 3 (ii).

³ Valencia will still provide written notices of termination of service in accordance with Rule No. 8.

NOTICE AND PROTEST

Valencia served AL No. 137 pursuant to General Order 96-B General Rules 4.3 and 7.2 and Water Industry Rule 4.1. Valencia served AL No. 137 on its General Order 96-B Service List.

On June 27, 2011, the Division of Ratepayer Advocates (DRA) timely protested AL No. 137. DRA recommends that AL No. 137 should be rejected for the following reasons: (1) the request lacks critical information to determine if all requirements of PU Code §755 have been met; (2) the request is not justified through a cost-savings analysis that demonstrates cost savings associated with the requested payment option have been satisfied; (3) the vendor selection may not be at the best available price due to lack of competitive bidding; and (4) there is inadequate justification for not making the option of credit or debit card payments available to customers who have had two or more returned credit/debit card or e-check payments within the last 12 months.

Eight (8) additional protests and a letter supporting AL 137 were received from Valencia's customers. The reasons for the protests are:

- The utility should not charge for bill payments made by credit or debit card; and
- A convenience fee of \$3.75 per transaction is excessive and unreasonable.

Valencia 's Response to DRA and customer protests

Valencia timely filed responses to DRA and customer protests. Valencia makes the following arguments.

1. Compliance with PU Code § 755

Valencia believes that its request complies with PU Code § 755 (a)(2)⁴ because only customers that choose to use the credit and debit card payment options will incur the 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. Valencia states that it will not seek recovery of these expenses from non-participating customers unless and until the Commission determines that the savings to ratepayers exceeds the net cost of accepting credit or debit cards as payment options.

⁴ PU 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."

2. Vendor Selection

Valencia contacted five providers who offered a credit or debit card payment option using a “convenience fee”. Valencia selected Kubra to serve as the payment processor because Kubra charged the lowest convenience fee of all companies contacted and also because Kubra is the current vendor partner with Valencia’s existing CIS software company. Furthermore, Kubra successfully implemented the credit/ debit card payment program in 2009 through 2010 before Valencia discontinued the program. Additionally, Kubra is fully integrated with Valencia’s CIS software and can provide credit/ debit card information on a real-time basis with no additional programming, and related costs or expenses, required to initiate this program again. Since all programming required to start offering the service of payment by credit/ debit card was done in conjunction with the larger CIS project authorized by the Commission in Decision (D.) 10-12-029, there will be no additional programming related costs to begin making the service available now.

3. Cost-savings Analysis

Valencia’s cost/ savings analysis shows that the savings of its proposed credit and debit card payment program do not exceed the net cost of accepting credit cards. Valencia’s analysis also shows that the costs and potential savings are de minimis. Valencia is not proposing the program as a cost saving measure that will improve the company’s profitability. Rather, Valencia is simply proposing to offer the program as a service that Valencia maintains its customers expect and frequently request.

4. Modifications to Rule 9

Valencia indicates that the current tariff permits a returned check charge of \$10.00. Valencia proposes to amend the tariff to make it clear that this charge will apply 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.

DISCUSSION

1. Offering credit/debit card payment option without prior Commission authorization

Valencia offered a option to pay bills by credit or debit card from April 29, 2009 through May 5, 2010, without prior Commission authorization as is mandated by PU Code § 755(b).⁵ Valencia withdrew the credit/ debit card offering as soon as it realized that

⁵ PU Code § 755(b) states: “A...water corporation may offer credit card and debit card bill payment options, if approved by the commission.”

prior Commission authority was required. Valencia did not derive any financial benefits from offering these payment options and the costs involved in doing so were very small. The costs for establishing and maintaining the program were charged against the 2010 capital budget that was approved during Valencia's last general rate case in D.10-12-029. Although we do not impose a penalty for Valencia's failure to comply with PU Code § 755(b), we remind Valencia that it needs to be cognizant of requirements for Commission authorization mandated in the PU Code.

2. 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. The code 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).) 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).)

Valencia submitted a cost/savings analysis for the credit/debit card payment option program. Valencia averaged about 250 credit or debit card payments per month during the time that the program was offered in 2009-2010. Based on that projected demand, Valencia estimates that it will incur ongoing incremental net costs of \$38.60 per month for offering the credit/debit card payment option.⁶ Savings will result from an estimated four fewer service connection shutoffs per month as a result of timely bill payments by customers who use a credit or debit card to pay their water bills. The costs will be from time spent by Valencia's customer service representatives on the telephone assisting customers in credit or debit card payments.

In its cost-benefit analysis, Valencia did not include costs for the initial development and implementation of the WebConnect project for its CIS software that also included a module to allow Valencia to provide the service of payment by credit/debit card. The Commission approved the costs associated with the development and implementation

⁶ Valencia provided DWA Staff the following ongoing cost/savings information. Costs are estimated at \$56.09 for time spent by Valencia customer service representatives with customers. Savings are \$17.40 due to reduced number of service shutoffs from timely payment of bills using credit or debit cards.

of this software project in Valencia's 2010 capital budget during its last general rate case (D.10-12-029). In response to a DWA Staff inquiry, Valencia indicated that the WebConnect software was purchased as a package for a lump sum price of \$41,000 and that it included a module for allowing for the payment by credit/debit card. Valencia maintains, and Staff agrees, that given the inclusion of this module in the software package Valencia has already purchased, there would be no incremental capital expenditure relating to software necessary at this time to offer payment by credit/debit card.

In a response to a DWA Staff inquiry, Valencia indicates that it will need to post notice of the availability of the credit/debit card payment option program on its website. Also, Valencia indicated there will be no additional cost to put the notice back on the web site since the required programming for this was done previously when the credit/debit card program was in place during 2009-2010.

Valencia sent notice of its AL 137 filing to its customers through bill inserts to satisfy the requirements of PU Code § 96-B, General Rule 4.2. Valencia used a third-party vendor to print, fold and insert the customer notices for AL 137 into regular customer billings and to send e-mail notices. The cost for this service was \$1,662.50. In response to a DWA Staff inquiry, Valencia stated it will absorb this expense as a shareholder expense and will not recover it from ratepayers through rates.

In response to DWA Staff inquiries, Valencia indicated that it will exclude from future rate cases the projected net cost of the credit/debit card program of \$38.60 per month or \$463.20 per year. This will ensure that customers not using the credit/debit card payment service are not funding the net cost of the credit/debit card payment program.

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 Valencia has not shown that the credit and debit card option offers any net savings at this time. As a condition of our approval of Valencia's request to offer customers a credit and debit card payment option, we require Valencia to establish, prior to beginning to offer this service, a memorandum account by filing a Tier 2 Advice Letter. In this memorandum account, Valencia 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 Valencia files its next general rate case. Valencia 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 Valencia's next general rate case. Further, in its next general rate case filing, Valencia

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 Valencia's next general rate case or absorbed by Valencia's shareholders. This will ensure that Valencia's credit/debit card payment option is compliant with PU Code Section 755.

3. *Vendor selection and reasonableness of convenience fees*

In response to DWA Staff inquires, Valencia submitted work papers detailing the selection of Kubra, the third party vendor. Kubra's quote for a convenience fee of \$3.75 per transaction was the lowest of all the candidates that Valencia considered. Additionally, as stated above, the company successfully implemented the credit/debit card program in 2009 - 2010.

In response to DWA Staff inquiries, Valencia has indicated that if it were to exclude Visa from the credit card payment program, the convenience fee would decrease from \$3.75 to \$2.50 per transaction. This is because Visa requires that if a utility, through its third party vendor, offers a credit/debit card payment option other than a Visa card to its customers, the utility/third party vendor cannot charge a convenience fee that is lower than what Visa charges. Valencia believes that since Visa is the most widely held credit card and that since many of its customers do not have a Master Card, offering both the Visa and Master Card payment options would serve its customers needs better and that the additional \$1.25 required to include Visa in its program will better serve its customers' needs for this reason.

We have previously addressed the issue of a reasonable convenience fee for bill payment by credit or debit card in Resolution (Res.) G-3427 (May 2009). In Res. G-3427, we stated that we have approved convenience fees for payment by credit or debit card for customers of other jurisdictional-utilities ranging from \$1.45 to \$1.75 per transaction by excluding Visa from their credit/debit card payment program.⁷ As we noted in Res. G-3427, and which is the case here, Visa appears to be exercising its market power in insisting on high fees and requiring that customers cannot be charged a convenience fee less than the rate Visa charges even if other credit/debit card companies are willing to charge a lower fee. Consistent with our ruling in Res. G-3427, we find Valencia's convenience fee of \$3.75 per transaction unreasonable.

⁷ Also, the Commission approved a convenience fee of \$1.50 for Southern California Gas Company and San Diego Gas and Electric Company (Res. G-3310) and \$1.45 for Pacific Gas and Electric Company (Res. G-3390).

Based on comments in response to the draft resolution, Valencia has indicated that by excluding Visa, it will be able to reduce the convenience fees for using a credit/debit card to \$2.50 per transaction from those users who use this optional service. We find this to be a reasonable charge for this optional service in view of the fact that because of its smaller customer base, Valencia will be unable to obtain volume discounts that larger utilities are able to receive for offering this service.

4. Extending the credit card/debit card option to all customers

Valencia has indicated that based on its prior experiences with this program, it did not have any customers with returned credit/debit card payments. Therefore, it does not expect any incremental costs if the program were to be extended to such customers. We agree with DRA that the option to allow payment by credit/debit card should be made available to all customers irrespective of their payment history. It is reasonable to make available the option to pay by credit/debit card to all customers irrespective of their payment history. An exception to this would be customers who have made fraudulent payments in the past. Such customers are expected to pose an extra level of collection risk. DWA staff recommends, and we agree, that customers who have made fraudulent payments over the past twelve months should be excluded from being offered the credit/debit card payment option. Accordingly, we reject Valencia's proposal to not extend the credit/debit card payment option to customers who have two or more denied credit or debit payments within the last twelve months, and, as a condition of our approval of the credit/debit payment options require that Valencia allow payment by credit/debit card to all customers irrespective of their payment history. We will, however, allow Valencia, as it requested, not to extend the credit/debit card payment option to customers who have made fraudulent payments over the past twelve months.

5. Charging dishonored payment fees

As more payment types evolve due to advancements in technology, 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. Such an arrangement would permit Valencia to charge customers who make the dishonored payments, rather than have the general body of customers absorb these costs as part of authorized rates. In support of its request, Valencia identified four other Class A water companies whose tariffs have similar language regarding charging fees for both checks and electronic payments that are dishonored.⁸ We agree that Valencia's request is reasonable and authorize that

⁸ The four Class A water companies that charge customers for dishonored checks or electronic payments are California Water Service Company, Park Water Company, San Gabriel Valley Water Company, and Suburban Water Systems.

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*

Customers should be given the option, at no extra cost, to receive electronically regular bills for service and other legally mandated notices (except as a tariff may otherwise require, see, e.g., fn 3 above), and to no longer receive these items in paper format. We agree with DWA staff's recommendation that Valencia should be permitted to modify Tariff Rule 9 to reflect this option.

COMMENTS

Public Utilities 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. Accordingly, this draft resolution was mailed to the utility and protestants and made available for comment on February 7, 2012.

Comments on the draft resolution were timely filed by Valencia and DRA. Late-filed comments were received from Chrystal Boute objecting to any convenience fee being charged for credit and debit card payments.

In its comments to the draft resolution that was mailed for comment, Valencia stated that the \$3.75 optional charge for credit card payments negotiated with its vendor is the best available price for this service. This is because its small size does not qualify Valencia for a volume based discount from its vendors. However, a service charge of \$2.50 per transaction is acceptable if Visa is not included as a payment option. Valencia also reiterated its request that it should be permitted to apply the \$10 return check fees to all forms of payments that are rejected by any financial institution.

DRA recommends that in addition to the provisions required in the draft resolution, the Commission should include a requirement that any costs incurred as a result of offering the credit/debit card payment option, either directly or indirectly, not be charged to Valencia's ratepayers who do not utilize this payment option. This will ensure that Valencia's credit/debit card payment option is compliant with PU Code Section 755.

We have carefully reviewed all the comments filed. We have amended the language of the draft resolution in response to comments. We have accepted Valencia's offer of a \$2.50 convenience fee per transaction. We find it is reasonable for Valencia to modify its Tariff Rule 9 to extend its dishonored check payment charge to all dishonored checks and electronic payments.

We also agree with DRA that only subscribers of this service should bear any of the costs associated with the provision of this service. We will require that Valencia, prior to offering the credit/debit payment option, file a Tier 2 advice letter for the purpose of opening a memorandum account to record all costs associated with offering the credit/debit card services. We will require that Valencia refund the net costs identified in the memorandum account to the general body of customers as part of Valencia's next general rate case application. In its next general rate case application, Valencia should remove all costs associated with offering the credit and debit card payment options. These costs should either be charged to customers who use the optional credit and debit card payment option (that we authorize Valencia to establish in this resolution) in Valencia's next general rate case, or be absorbed by Valencia's shareholders. This will ensure that Valencia's credit/debit card payment option is compliant with PU Code Section 755.

FINDINGS AND CONCLUSIONS

1. Valencia Water Company (Valencia) offered credit/debit card services without Commission approval from April 1, 2009 through May 5, 2010.
2. Public Utilities (PU) Code § 755 requires Commission approval prior to offering a credit/debit card bill payment option to customers of a water corporation.
3. Valencia discontinued offering the credit/debit card bill payment option on May 5, 2010, upon learning that Commission approval was required prior to offering credit/debit card services. Valencia did not profit from offering the option for bill payment by credit/debit card, and the costs Valencia incurred for offering this service were small. It is reasonable to not impose a penalty on Valencia for offering a credit/debit card payment option without Commission authorization.
4. Valencia needs to be cognizant of requirements for Commission authorization mandated in the Public Utilities Code.
5. Valencia filed Advice Letter 137 requesting authority (a) to offer to 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 two or more denied credit or debit payments or who have had fraudulent payments, within the last twelve months.
6. The Division of Ratepayer Advocates timely protested Advice Letter 137 (AL 137).

7. The Division of Ratepayer Advocates recommends that AL 137 should be rejected because: it lacks critical information to determine if all requirements of PU Code § 755 have been met; the request is not justified through a cost-savings analysis that demonstrates cost saving associated with the requested payment options have been satisfied; the vendor selection was not based on competitive bidding and thus the vendor selection may not be at the best available price; and there is inadequate justification for not making the option of paying bills by credit/ debit card available to customers who have had two or more returned credit/ debit card payments within the last 12 months.
8. All revenues arising from the convenience fees paid for making payments using a credit or debit card will flow directly to the third party vendor.
9. Customers who do not use the credit or debit card bill payment option service will not be charged for any costs related to providing this service.
10. PU Code § 755 permits water utilities to offer a credit or debit card bill payment option if approved by the Commission.
11. PU 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 and until 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. PU 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. Valencia proposes a convenience fee to be collected by Valencia's third party vendor from customers who opt to pay their water bill using a credit or debit card.
14. The proposed convenience fee of \$3.75 per transaction can be reduced to \$2.50 if Visa is excluded from the available payment options.
15. A convenience fees in the range of \$1.45 to \$1.75 is offered by other utilities who do not offer Visa as an available payment option.
16. It is not reasonable that customers be charged a convenience fee of \$3.75 for each transaction for using a credit or debit card to pay water bills to Valencia.

17. It is reasonable for customers to pay a convenience fee of \$2.50 for using a credit or debit card to pay water bills.
18. PU Code § 755 requires the Commission to determine how any associated costs or potential savings from credit or debit card use to pay bills are passed on to the customers.
19. The cost of the software module used for providing credit/debit card services was approved as part of a capital project during Valencia's 2010 General Rate Case.
20. Valencia was not separately charged for the credit/debit card service module.
21. Cost of acquisition of the credit/debit card module has already been charged to the general body of ratepayers.
22. Valencia shall record all ongoing maintenance costs pertaining to the credit/debit card module in a memorandum account and provide for recovery of these costs through either an additional charge on consumers who use this optional payment service or have these costs absorbed by shareholders.
23. Valencia's shareholders will pay for the cost of printing and mailing customer notices regarding availability of credit/debit card bill payment services and will not seek to recover these costs from ratepayers.
24. Valencia's cost/savings analysis indicates that there was a net cost of \$463.20 per year or \$38.60 per month for providing credit/debit card bill payment services in the past.
25. Valencia'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.
26. Valencia'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.
27. For its credit/debit card bill payment service offering in 2009-2010, no Valencia customer paying by credit/debit card had a credit/debit card payment denied by a financial institution.

28. Valencia expects that there will be no costs incurred from customers who have their credit/ debit card bill payments denied by a financial institution.
29. It is reasonable to extend the credit/ debit card bill payment option to all customers irrespective of past credit card history. Valencia should file a Tier 1 advice letter modifying Tariff Rule No. 9 – Rendering and Payment of Bill, consistent with Appendix A attached to this Resolution.
30. It is reasonable to expect additional costs to collect from customers who have made fraudulent payments in the past.
31. It is reasonable to exclude customers who have made fraudulent payments over the past twelve months from participating in a future credit/ debit card bill payment program.
32. Valencia’s current tariffs permit a returned-check charge as a deterrent to customers who write bad checks.
33. Financial institutions may reject payments made electronically.
34. 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.
35. It is reasonable to permit customers to receive at no extra charge electronic billing statements and other legally mandated notices. Valencia should file a Tier 1 advice letter modifying Tariff Rule No. 9 – Rendering and Payment of Bill, consistent with Appendix A attached to this Resolution.

THEREFORE IT IS ORDERED THAT:

1. Valencia Water Company is authorized to file a Tier 1 advice letter to modify Tariff Rule No. 9 - Rendering and Payment of Bills, 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. Valencia should file this Tier 1 advice letter within five days of the effective date of this Resolution.

2. Valencia Water Company's proposal 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. Valencia Water Company is ordered to file a Tier 2 Advice Letter, prior to providing credit/debit card payment services, to establish a 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 Valencia Water Company's next general rate case.
4. Valencia 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. Valencia Water Company's proposal to not extend the credit/debit card payment option to customers with a prior history of payments that were dishonored by their financial institution is rejected.
6. 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 April 19, 2012; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
President

TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK J. FERRON

Commissioners

APPENDIX A
Sheet 1

Rule No. 9

RENDERING AND PAYMENT OF BILLS

A. Rendering of Bills

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

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

- a. Meters will be read at regular intervals for the preparation 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 or 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 always be practicable to read meters at intervals which will result in billing periods of equal number 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.
 - (2) The charge for metered service for a bimonthly period will be computed by doubling the monthly minimum or readiness-to-serve charge and number of cubic feet to which each block rate is applicable on a monthly basis.

APPENDIX A
Sheet 2

Rule No. 9
(continued)

RENDERING AND PAYMENT OF BILLS

1. Metered Service (Continued)
 - (3) For billing periods other than monthly or bimonthly 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 kinds 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 or 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 charge 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.
3. Proration of Bills
 - 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:

(continued)

APPENDIX A
Sheet 3

Rule No. 9
(continued)

RENDERING AND PAYMENT OF BILLS

3. Proration of Bills (Continued)

(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 actual number of days in the month. The measured quantity of usage will be tied 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 actual number of days in the month.

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. Utility may charge \$10.00 for any bad checks or electronic fund transfers that are not honored by the customer's financial institution. (C)
(C)

3. Credit/Debit Card Option (N)

At the option of the customer a credit or debit card payment can be made. These payments will be accepted through the use of a vendor(s), and a non-refundable \$2.50 convenience fee per transaction shall apply. Customers are limited to one transaction per each assessed fee. If a customer has more than one account, a separate transaction is needed for each account. A non-refundable convenience fee will apply for each transaction completed and will be added as a charge to the credit/debit card account by the vendor(s) and not the utility billing statement. The convenience fee is paid directly to the vendor(s), not the utility. This payment option is not available to customers who have made fraudulent payments within the last 12 months. (N)