



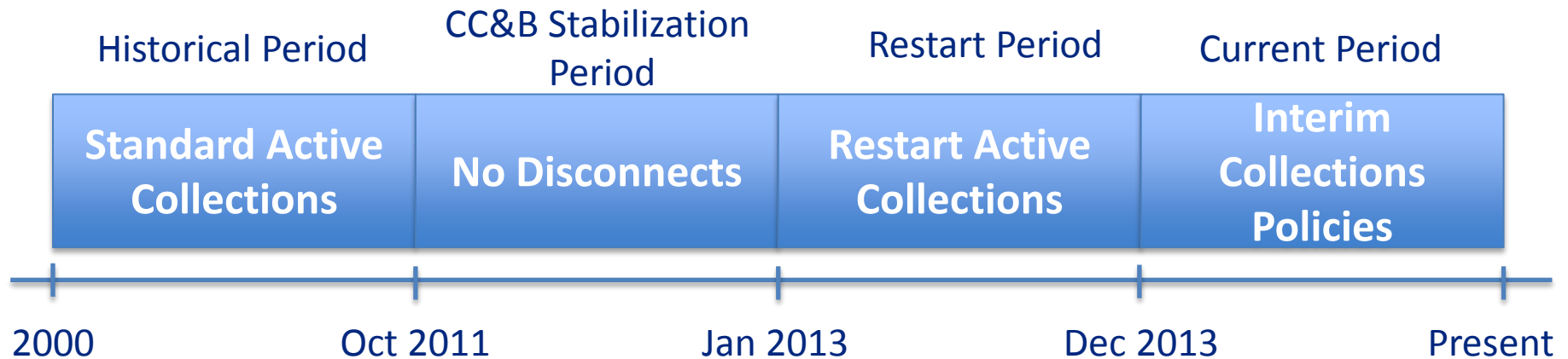
# Payment Arrangements & Arrearage Management

**Electric Utility and Resource Management Commissions**  
RECOMMENDATIONS from Staff and Working Group  
November 2014





# Timeline



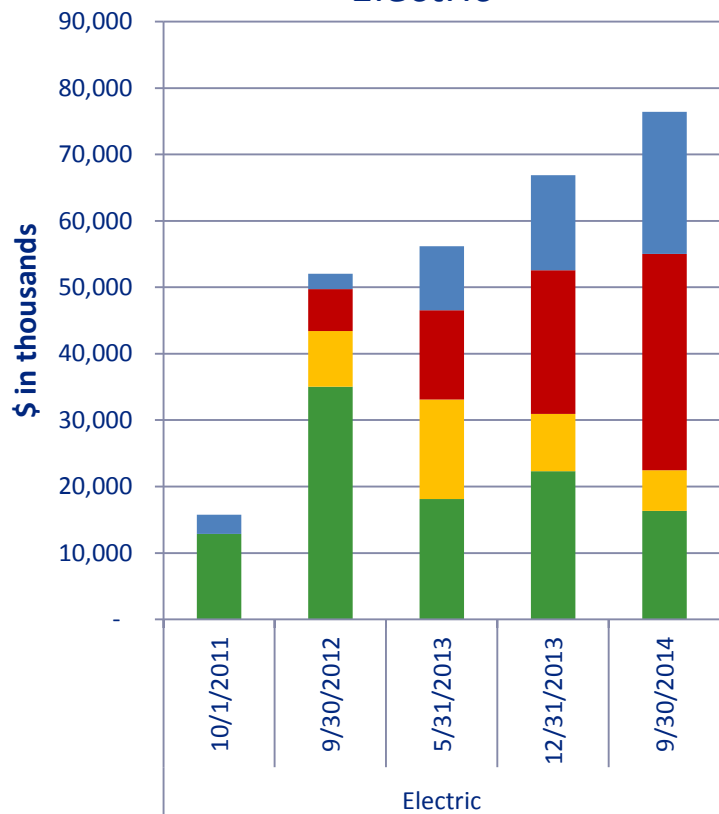
- For 11 years the City managed customer debt under same policy
- During the stabilization of new billing system it is best practice to suspend collections activity
- When we stopped disconnecting, customer debt increased beyond normal levels
- We have been operating under an interim collections policy for 1 year, pending Council review of Committee recommendations



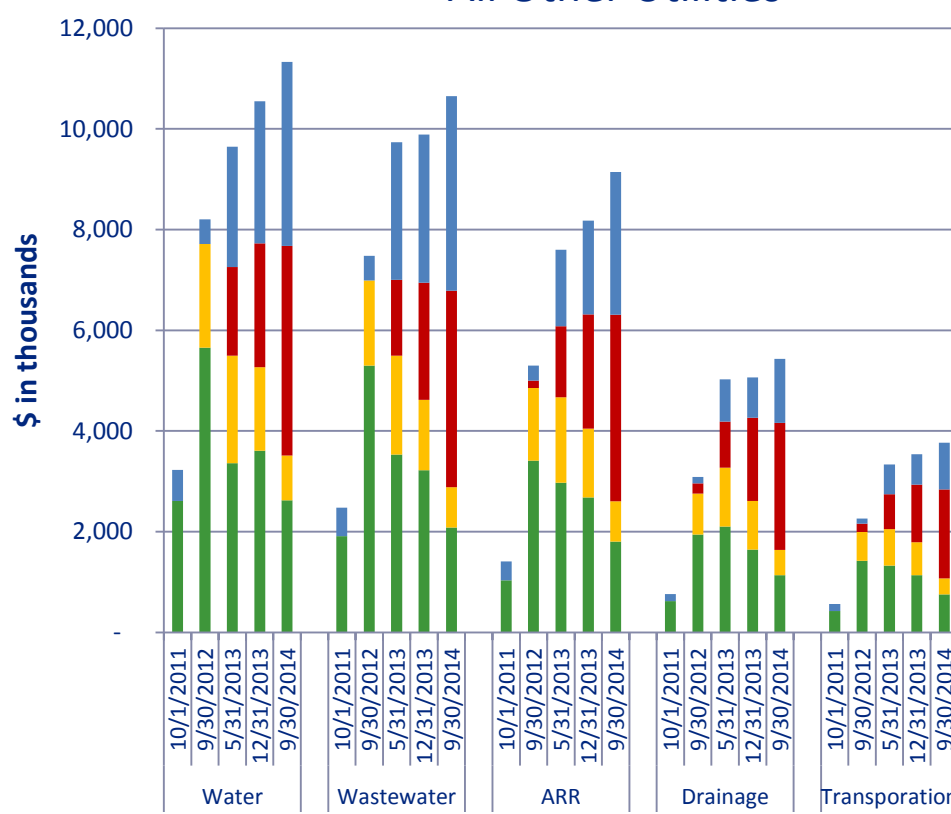
# Unpaid and Overdue Customer Debt

- Change in policy in 2011 has increased customer debt owed to the City over the past 3 years
- 2013 policy shift compounded the customer debt issue

## Electric



## All Other Utilities



AR 31-180 Days AR 181-365 Days AR >365 Days PA

AR 31-180 Days AR 181-365 Days AR >365 Days PA



## Goal

Reduce customer debt owed  
to the City



# Council Resolution No. 20131107-052

City Manager to work with Discount Steering Committee and other consumer advocates to:

- **Revise Deferred Payment Arrangements & disconnection policies**
- **Develop an Arrearage Management Program (best practices & customer incentives)**
- **Develop customer service practices to better inform customers about resources**



# Payment Arrangement Policy - CAP

	<b>Working Committee Recommended Policy for CAP</b>	<b>City of Austin Utilities Alternative to CAP Policy</b>
<b>Eligibility</b>	CAP Customer	CAP Customer
<b>Length of Term</b>	Unlimited	36 month maximum; Payment not to exceed 5% of FPIL
<b>Number of PA's Allowed</b>	3 Payment Arrangements 4th with "Bona Fide" Reason*	2 Payment Arrangements 3rd with "Bona Fide" Reason
<b>Down Payment</b>	NO	NO
*Bona Fide Reasons= serious illness or injury by account holder or household member; loss of employment; economic loss due to natural disaster; domestic violence against the customer; a commitment by an independent program to assist customer with payment		



# Payment Arrangement Policy – Non CAP

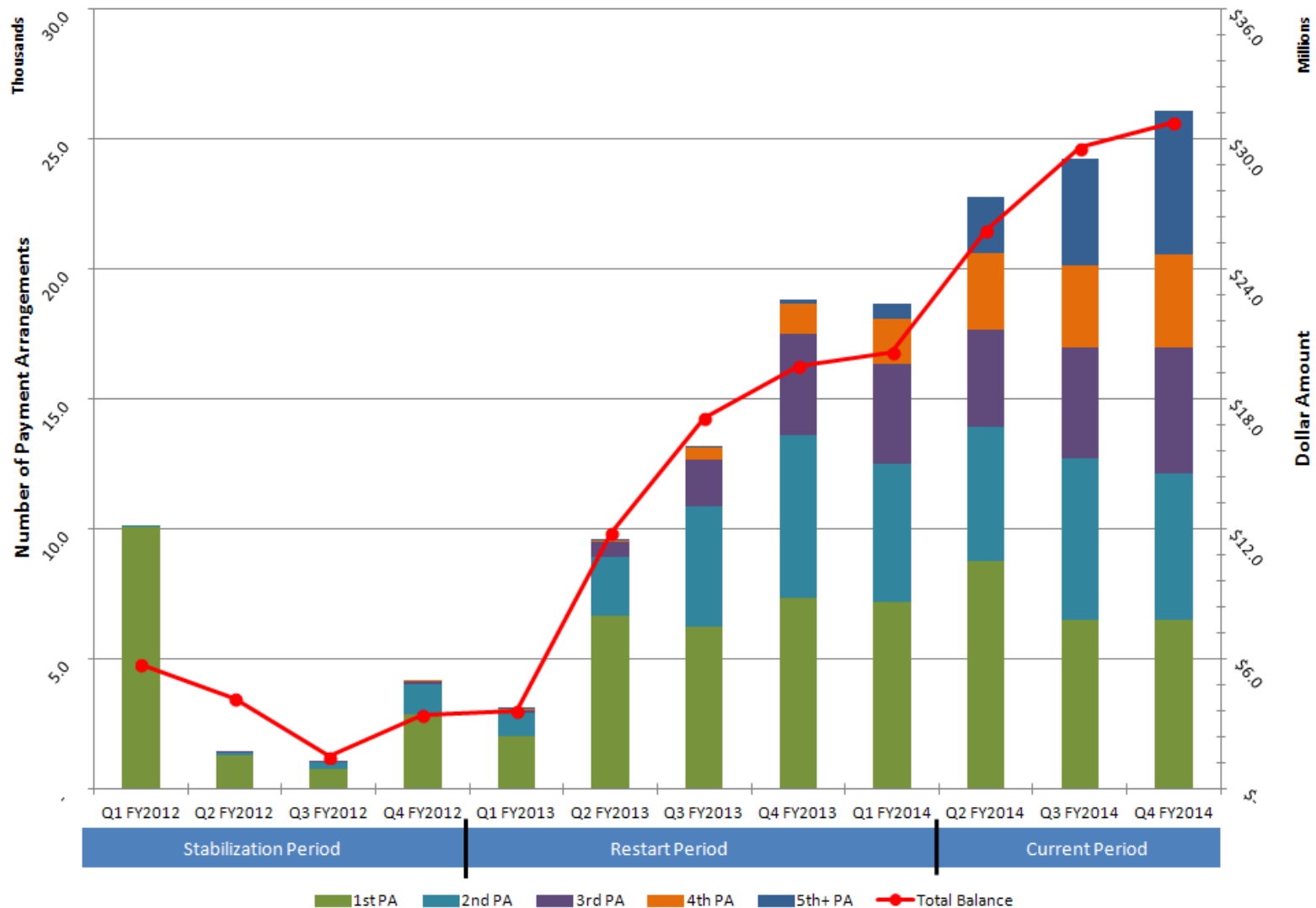
	<b>Working Committee Recommended Policy for Non-CAP</b>	<b>City of Austin Utilities Alternative to Non-CAP Policy</b>
<b>Eligibility</b>	General Residential	General Residential
<b>Length of Term</b>	Up to 24 months (CSR) Up to 36 months (Supervisors)	Up to 8 months (CSR) Up to 12 months (Supervisors)
<b>Number of PA's Allowed</b>	3 Payment Arrangements 4th with "Bona Fide" Reason*	1 Payment Arrangement 2nd with "Bona Fide" Reason
<b>Down Payment</b>	Yes -Down payment equal to first month installment	Yes - 50% down, exceptions approved by Supervisors

\*Bona Fide Reasons= serious illness or injury by account holder or household member; loss of employment; economic loss due to natural disaster; domestic violence against the customer; a commitment by an independent program to assist customer with payment



# History of Payment Arrangement Policy

Quarterly Payment Arrangement Allocation (# Started / Total \$)

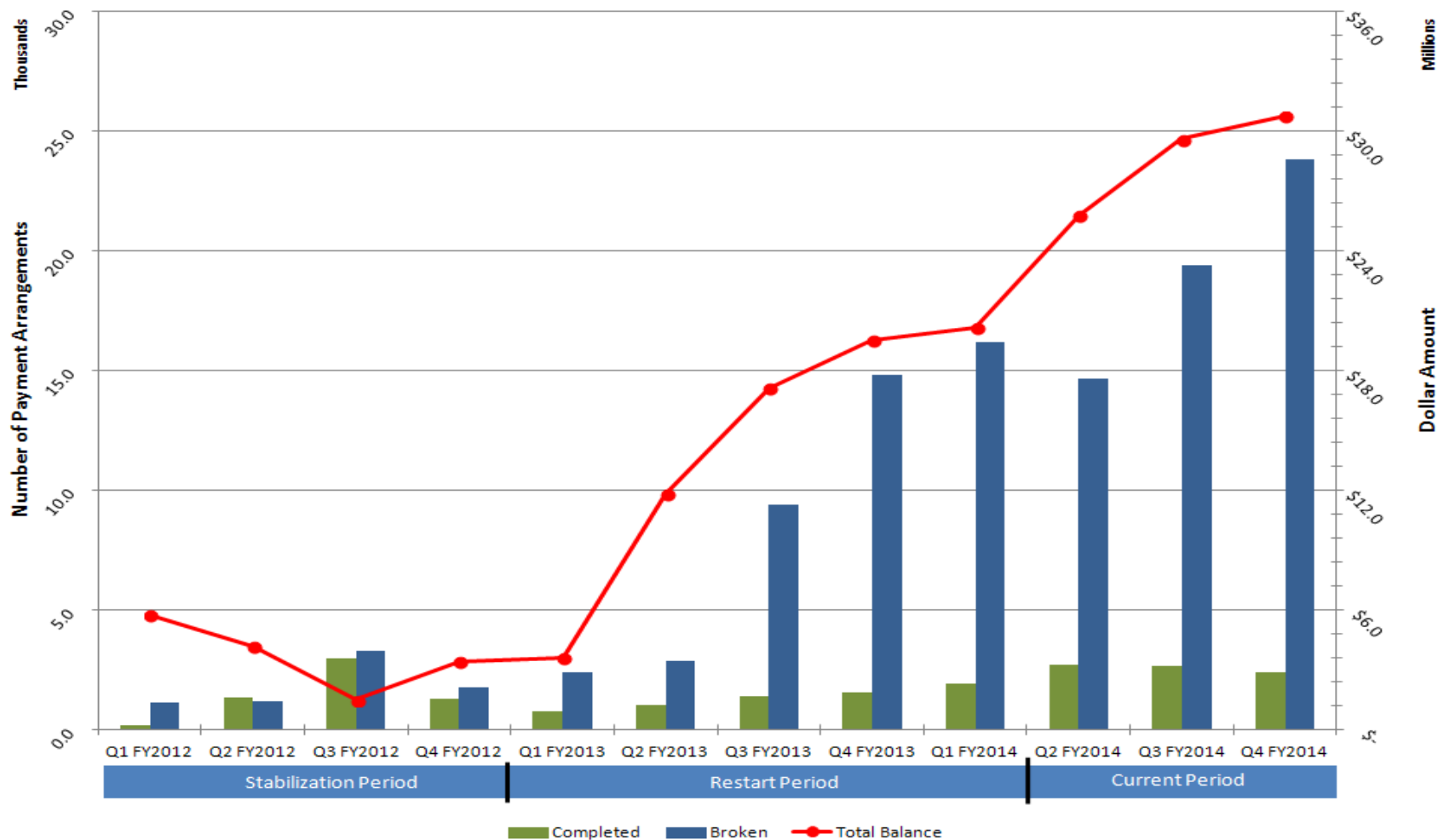






# Impact of Payment Arrangement Policy

Quarterly Payment Arrangement Allocation (# Ending / Total \$)



- Customer behavior did not improve with a more relaxed Payment Arrangement policy.



# Current Payment Arrangement Policy

	Policy During Historical Period	Current Policy
<b>Eligibility</b>	All Residential	All Residential
<b>Length of Term</b>	3 – 6 months	36 months (non-CAP) Unlimited (CAP)
<b>Number of PA's Allowed</b>	1 Payment Arrangement (Offered 2 <sup>nd</sup> with special circumstance)	3 Payment Arrangements, 4th Payment Arrangement for any customer identifying a "Bona Fide" Reason *
<b>Disconnect</b>	Yes, after 1 broken arrangement	Yes, after 4 broken arrangements
<b>Down Payment</b>	10-50% of past due required	None required



# National Comparison of Payment Arrangements

	Comparison of Payment Arrangements by Utility - November 2014						
				Payment Arrangements (PA)			
	State	Type of Utility	Utility Name	PA Offered	Term (mo.)	No. of PAs allowed	Down Payment
Public Utilities	TX	Public	Pedernales Electric Cooperative	✓	6	1	✓
	TX	Public	Bluebonnet Electric Cooperative	✓	3	1	✓
	AZ	Public	Salt River Project	✓	6+	1	✓
	TX	Public	City of San Antonio (CPS Energy)	✓	12	2	✗
	CA	Public	Sacramento Municipal Utility District	✓	12	1	✗
	FL	Public	Jacksonville Electric Authority (JEA)	✓	12	1	✗
	TN	Public	Memphis Light Gas & Water	✓	5	1	✓
	WA	Public	Seattle City Light	✓	1	2	✓
	CO	Public	Colorado Springs Utilities	✓	1	2	✗
	TX	Public	<b>Austin Energy (Committee proposed)</b>	✓	36/48	3/4	✓

- Proposed policy provides longer periods and more payments arrangements than industry norms.

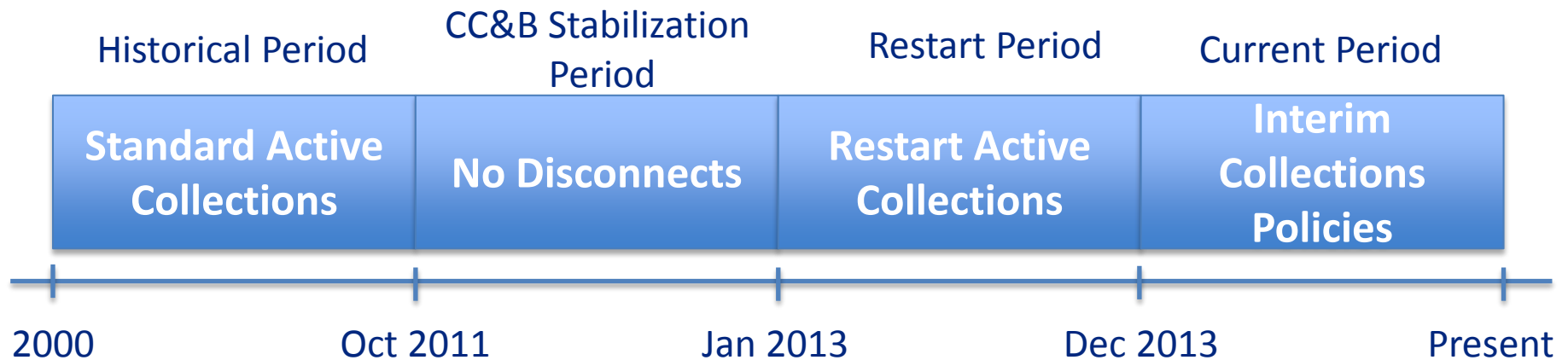


# Working Committee Recommendation

	<b>Working Committee Recommended Policy for CAP 1a.</b>	<b>Working Committee Recommended Policy for Non-CAP 2a.</b>
<b>Eligibility</b>	CAP Discount Customer	General Residential
<b>Length of Term</b>	Unlimited (Payment not to exceed 5% of Federal Poverty Income Level)	Up to 24 months (CSR) Up to 36 months (Supervisors)
<b>Number of PA's Allowed</b>	3 Payment Arrangements 4th with "Bona Fide" Reason*	3 Payment Arrangements 4th with "Bona Fide" Reason*
<b>Down Payment</b>	NO	Yes -Down payment equal to first month installment
*Bona Fide Reasons= serious illness or injury by account holder or household member; loss of employment; economic loss due to natural disaster; domestic violence against the customer; a commitment by an independent program to assist customer with payment		



# Payment Arrangement Summary



- Working Committee believes cessation of collection activities during stabilization period led to undue economic burden on customers
- Working Committee sought to create a policy that reduces the economic burden on customers
- Working Committee recommendations mirror current Council policy for CAP customers



# National Comparison of Arrearage Program

- Of comparable and local Public Power, none offers an Arrearage Management Program.
- Six investor owned utilities have Arrearage Management Programs.

Comparison of Arrearage Management Programs - November 2014					
State	Type of Utility	Utility Name	Arrearage Management Programs		
			AMP Offered	Repayment Period (Months)	Amount of Arrearage Paid by Utility
TX	Public	Pedernales Electric Cooperative	×	×	×
TX	Public	Bluebonnet Electric Cooperative	×	×	×
AZ	Public	Salt River Project	×	×	×
TX	Public	City of San Antonio (CPS Energy)	×	×	×
CA	Public	Sacramento Municipal Utility District	×	×	×
FL	Public	Jacksonville Electric Authority (JEA)	×	×	×
TN	Public	Memphis Light Gas & Water	×	×	×
WA	Public	Seattle City Light	×	×	×
CO	Public	Colorado Springs Utilities	×	×	×
TX	Public	<b>Austin Energy (Committee proposed)</b>	?	36	tbd
MA	IOU	NSTAR	✓	12+	1/12th
CT	IOU	Connecticut Light and Power Company	✓	12	1/12th
PA	IOU	West Penn Power (Allegheny Power)	✓	36	1/36th
OH	IOU	Dominion East Ohio	✓	24	1/24th
MO	IOU	Ameren Missouri	✓	12	1/12th
NY	IOU	Niagara Mohawk Power (National Grid)	✓	24	\$30/mo.



# Arrearage Management Program

	<b>Working Committee CAP Participants 3a.</b>	<b>Working Committee CC&amp;B Stabilization Period (Non-CAP) 4a.</b>
<b>Customer Debt</b>	\$0.5M	\$7.9M
<b>Eligibility</b>	Enrolled or waitlisted on the discount program	Active residential customers who had electric services from June 2011 to June 2013
<b>Benefits</b>	Immediate incentive towards debt beginning month 1 of program. Customer receives education classes and free weatherization.	
<b>Length of Program</b>	<i>Determined by amount of debt;</i> <i>\$1,750-\$3,000 = 12 months</i> <i>\$3,001-\$6,000 = 24 months</i> <i>\$6,001+ = 36 months</i>	
<b>Down Payment</b>	Not required	Not required
<b>Customer Payment Amount</b>	1 <sup>st</sup> trimester - 20%, 2 <sup>nd</sup> trimester - 30%, 3 <sup>rd</sup> trimester - 40% (max at 5% of FPIL)	1 <sup>st</sup> trimester - 40%, 2 <sup>nd</sup> trimester - 30%, 3 <sup>rd</sup> trimester - 20%







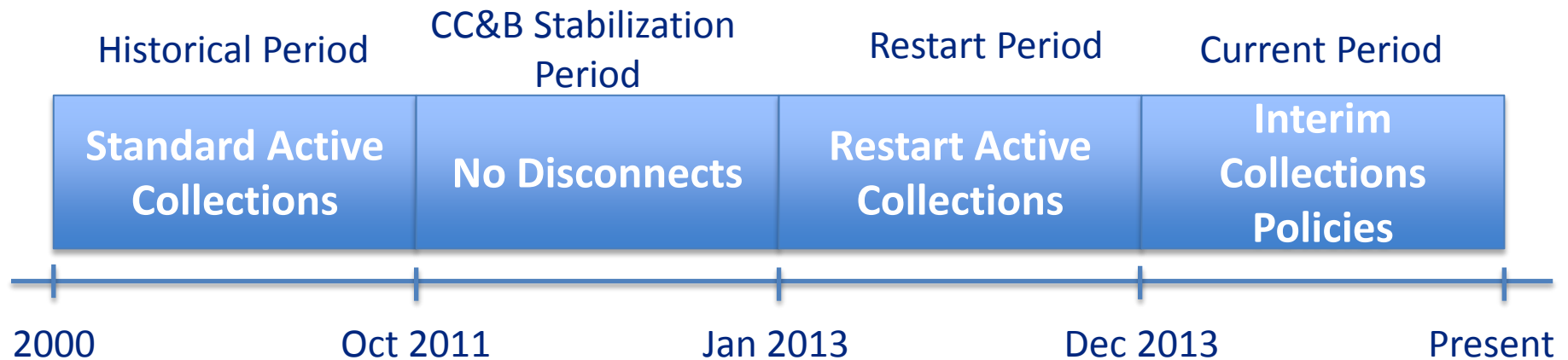
# Program Impact Analysis

	No. of Customers	Total Amount of Customer Debt	Amount Paid by Customer	Amount Paid by City
CAP Discount	203	\$0.509 M	\$0.153 M	\$0.356 M
Non-CAP Stabilization Group	2,543	\$7.877 M	\$2.363 M	\$5.514 M

- Working Committee members suggested the City's cost could be offset by an improved debt recovery for this subset of customers.
- Working Committee plan would cost an additional \$5.8M to recover \$8.4M



# Arrearage Management Program Summary



- AMPs are not industry standard
- Working Committee recommended program for all residential customers who fall into the stabilization period
- Arrearage exists throughout the city



# Payment Arrangements / Arrearage Management

Payment Arrangements	Arrearage Management
Short –term payment	Longer-term customer debt management
Customer makes monthly payments on outstanding customer debt	Customer and <u>City</u> make monthly payments on outstanding customer debt
All customers are eligible	Limited to active residential customers who had electric services from June 2011 to June 2013 (CC&B Stabilization Period)



# National Arrearage Program Comparisons

- Proposed policy provides longer periods and more payments arrangements than industry norms.
- Of comparable and local Public Power, none offers an Arrearage Management Program.
- Six investor owned utilities have Arrearage Management Programs.

Comparison of Payment Arrangement and Arrearage Management Programs by Utility - November 2014											
	State	Type of Utility	Utility Name	Payment Arrangements (PA)					Arrearage Management Programs (AMP)		
				PA Offered	Term (mo.)	No. of PAs allowed	Down Payment	Low Income Policy?	AMP Offered	Repayment Period (Months)	Arrearage Credit
Public Utilities	TX	Coop	Pedernales Electric Cooperative	✓	6	1	✓	✗	✗	✗	✗
	TX	Coop	Bluebonnet Electric Cooperative	✓	3	1	✓	✗	✗	✗	✗
	AZ	Muni	Salt River Project	✓	6+	1	✓	✗	✗	✗	✗
	TX	Muni	CPS Energy	✓	12	2	✗	✗	✗	✗	✗
	CA	Muni	Sacramento Municipal Utility District	✓	12	1	✗	✗	✗	✗	✗
	FL	Muni	Jacksonville Electric Authority (JEA)	✓	12	1	✗	✗	✗	✗	✗
	TN	Muni	Memphis Light Gas & Water	✓	5	1	✓	✗	✗	✗	✗
	WA	Muni	Seattle City Light	✓	1	2	✓	✗	✗	✗	✗
	CO	Muni	Colorado Springs Utilities	✓	1	2	✗	✗	✗	✗	✗
	TX	Muni	<b>Austin Energy</b>	✓	36/48	3/4	✓	✓	✓	12/24/36	\$1750-\$6001+
PUC Mandated Programs	MA	IOU	NSTAR	✓	4-6	1+	✓	✓	✓	12+	1/12th
	CT	IOU	Connecticut Light and Power Company	✓	6-11	1	✓	✓	✓	12	1/12th
	PA	IOU	West Penn Power (Allegheny Power)	✓	6/12/14	2	✓	✓	✓	36	1/36th
	OH	IOU	Dominion East Ohio	✓	2-12	1	✓	✓	✓	24	1/24th
	MO	IOU	Ameren Missouri	✓	3	1	✓	✗	✓	12	1/12th
	NY	IOU	Niagara Mohawk Power (National Grid)	✓	no limit	no limit	✓	✓	✓	24	\$30/mo.



# Concerns and Considerations

	Payment Arrangements	Arrearage Management
Financial	<ul style="list-style-type: none"><li>• Growing Accounts Receivable</li><li>• Increase in Bad Debt Expense</li><li>• Expensed Bad Debt results in higher rates</li><li>• Increases the financial burden on all customers</li></ul>	<ul style="list-style-type: none"><li>• Growing Accounts Receivable</li><li>• Cash outlay of \$5.8M</li><li>• Practices during the historical period would require no additional money to recover \$6.8M</li></ul>
Legal	No issues for reasonable length of arrangements	Possible issue for non-CAP customers
Operational	Increased account management of resetting multiple payment arrangements	Reconfigure CC&B Increased account management workload



# Payment Arrangement Policy – Staff Alternatives

	<b>City of Austin Utilities Response to CAP Policy 1b.</b>	<b>City of Austin Utilities Response to Non-CAP Policy 2b.</b>
<b>Eligibility</b>	CAP Customer	General Residential
<b>Length of Term</b>	36 month maximum; Payment not to exceed 5% of Federal Poverty Income Level	Up to 8 months (CSR) Up to 12 months (Supervisors)
<b>Number of PA's Allowed</b>	2 Payment Arrangements 3rd with *Bona Fide Reason	1 Payment Arrangement 2nd with "Bona Fide" Reason
<b>Down Payment</b>	NO	Yes - 50% down, exceptions approved by Supervisors
*Bona Fide Reasons= serious illness or injury by account holder or household member; loss of employment; economic loss due to natural disaster; domestic violence against the customer; a commitment by an independent program to assist customer with payment		



# Arrearage Management Program – Staff Alternatives

	City of Austin Utilities Response CAP (Same as Working Group) 3b.	City of Austin Utilities Response Stabilization Period (Non-CAP) 4b.
Eligibility	Enrolled or waitlisted on the discount program	<b>The Utilities do not recommend an arrearage management program for this group.</b>  City recommends a special <u>60-month</u> Payment Arrangement  2 Payment Arrangements 3rd with "Bona Fide" Reason
Benefits	Immediate incentive towards debt beginning month 1 of program. Customer receives education classes and free weatherization.	
Length of Program	<i>Determined by amount of debt;</i> \$1,750-\$3,000 = 12 months \$3,001-\$6,000 = 24 months \$6,001+ = 36 months	
Down Payment	Not required	
Customer Payment Amount	1 <sup>st</sup> trimester - 40%, 2 <sup>nd</sup> trimester - 30%, 3 <sup>rd</sup> trimester - 20%	
Customer Debt	\$0.5M	



# Next Steps

- Approve Low Income Working Committee Recommendations as written
- Approve Committee recommendations with modifications (could include Staff alternatives)
- Other action

## Payment Arrangement Policy

### 1. Payment Arrangement Policy Change for CAP Customers

a. as written

or

b. with staff modifications

### 2. Payment Arrangement Policy Change for Non-CAP Customers

a. as written

or

b. with staff modifications

## Arrearage Management Program

### 3. Arrearage Management Program for CAP Customers

a. as written

or

b. with staff modifications

### 4. Arrearage Management Program for Non-CAP Customers

a. as written

or

b. with staff modifications