



Payment Arrangements & Arrearage Management

Council Committee on Austin Energy
November 13, 2014



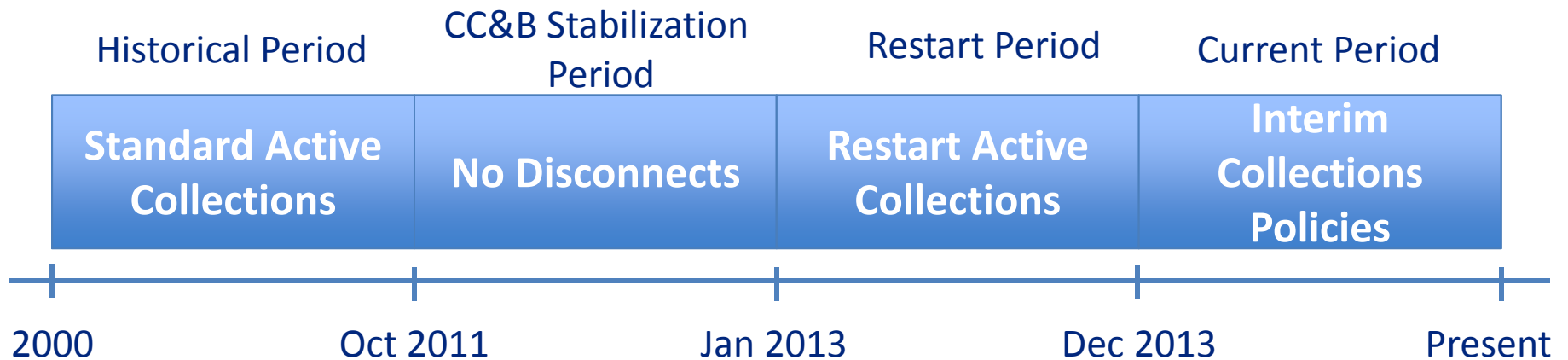


AGENDA

- **General Overview**
- **Payment Arrangement**
 - Overview and Current State
 - Working Committee Recommendations
- **Arrearage Management Program**
 - Overview and Current State
 - Working Committee Recommendations
- **Concerns and Alternatives**



Timeline

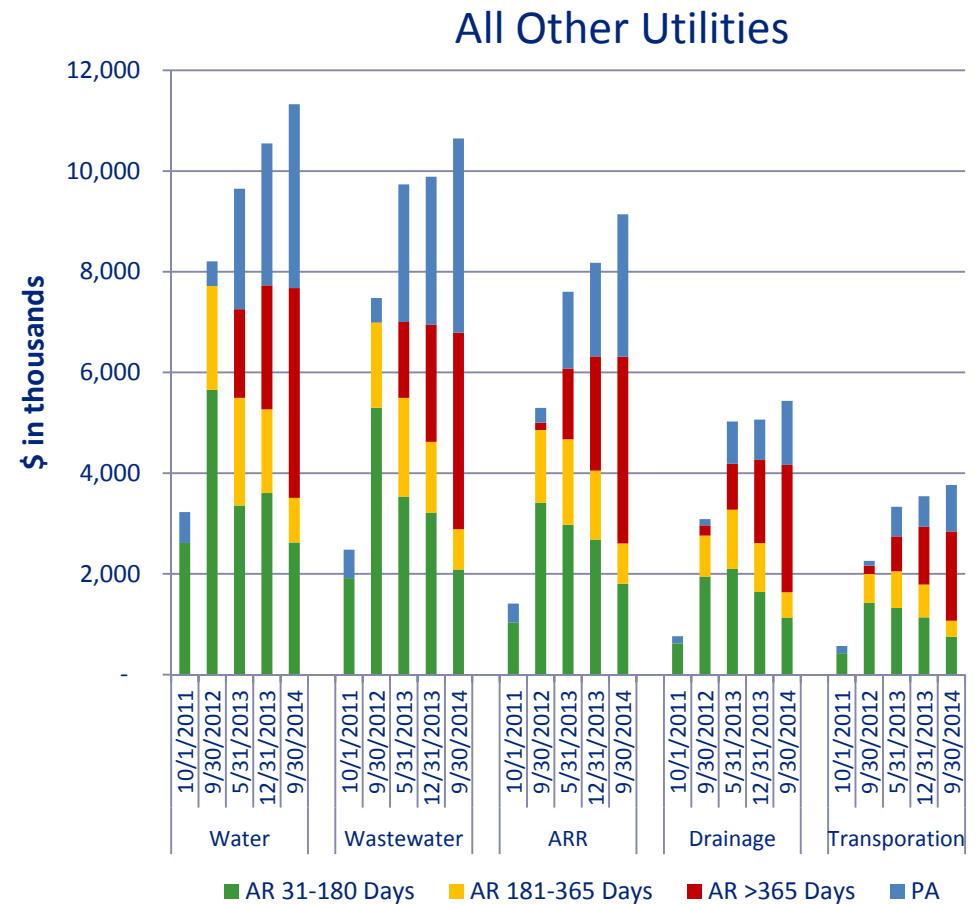
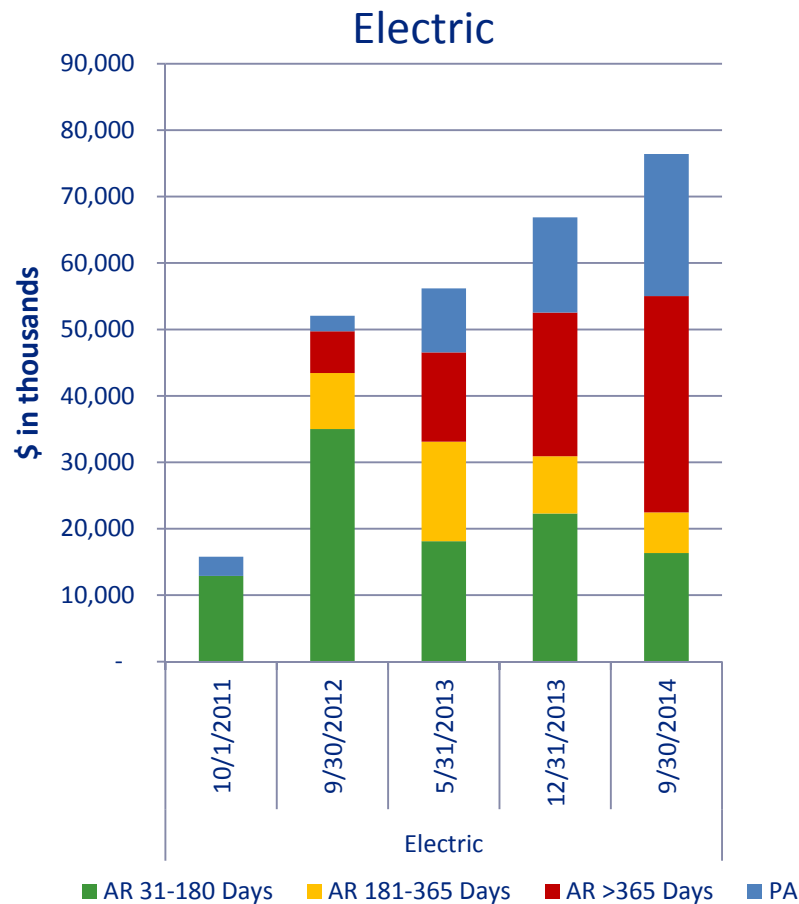


- For 11 years the City managed customer debt under same policy
- During the stabilization of new billing system it is best practice to suspend collections activity
- When we stopped disconnecting, customer debt increased beyond normal levels
- We have been operating under an interim collections policy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





Goal

Reduce customer debt owed
to the City



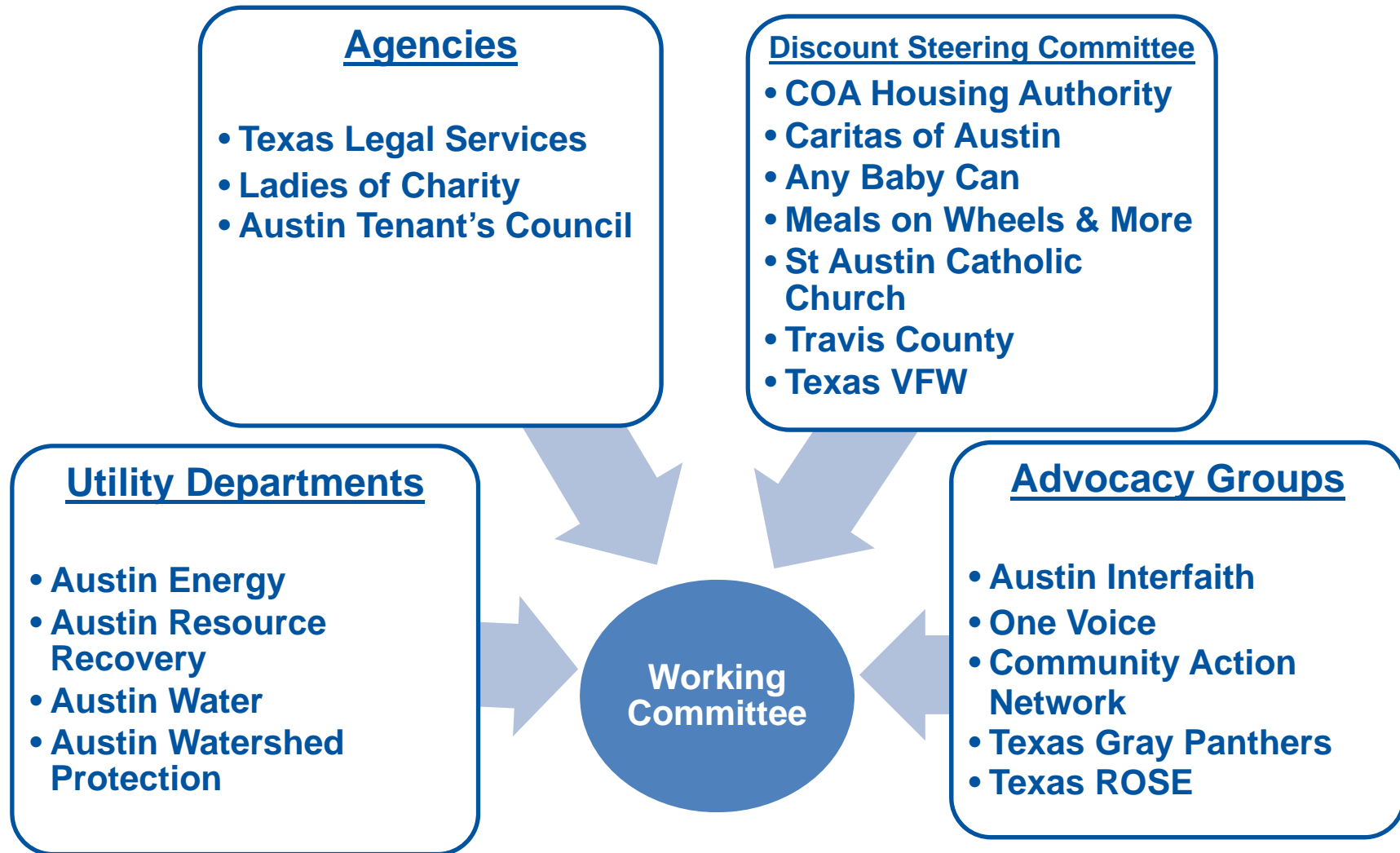
Council Resolution No. 20131107-052

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**



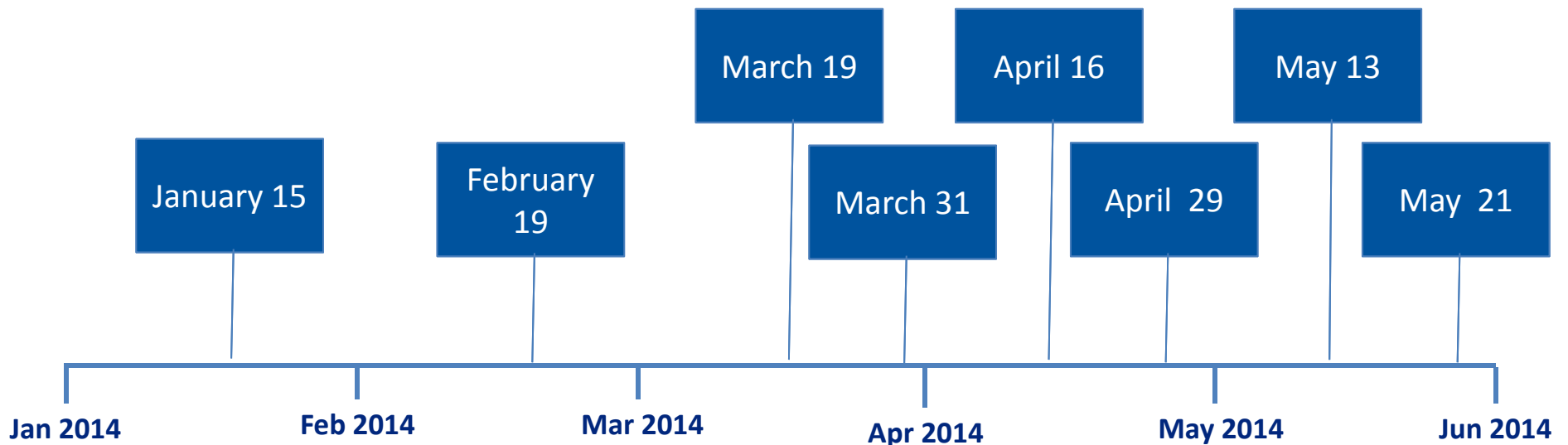
Low Income Consumer Working Group





Recommendation Process

- Facilitator contracted – Robena Jackson Agency
- Developed Group Structure
 - Stakeholder Committee (Non-Voting), Working Committee (Voting - 21)
- 8 Working Group meetings
- Analyzed over 150 data sheets
- Over 25 hours of meeting time
- Presented to multiple Boards/Commissions (June – Oct)





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)



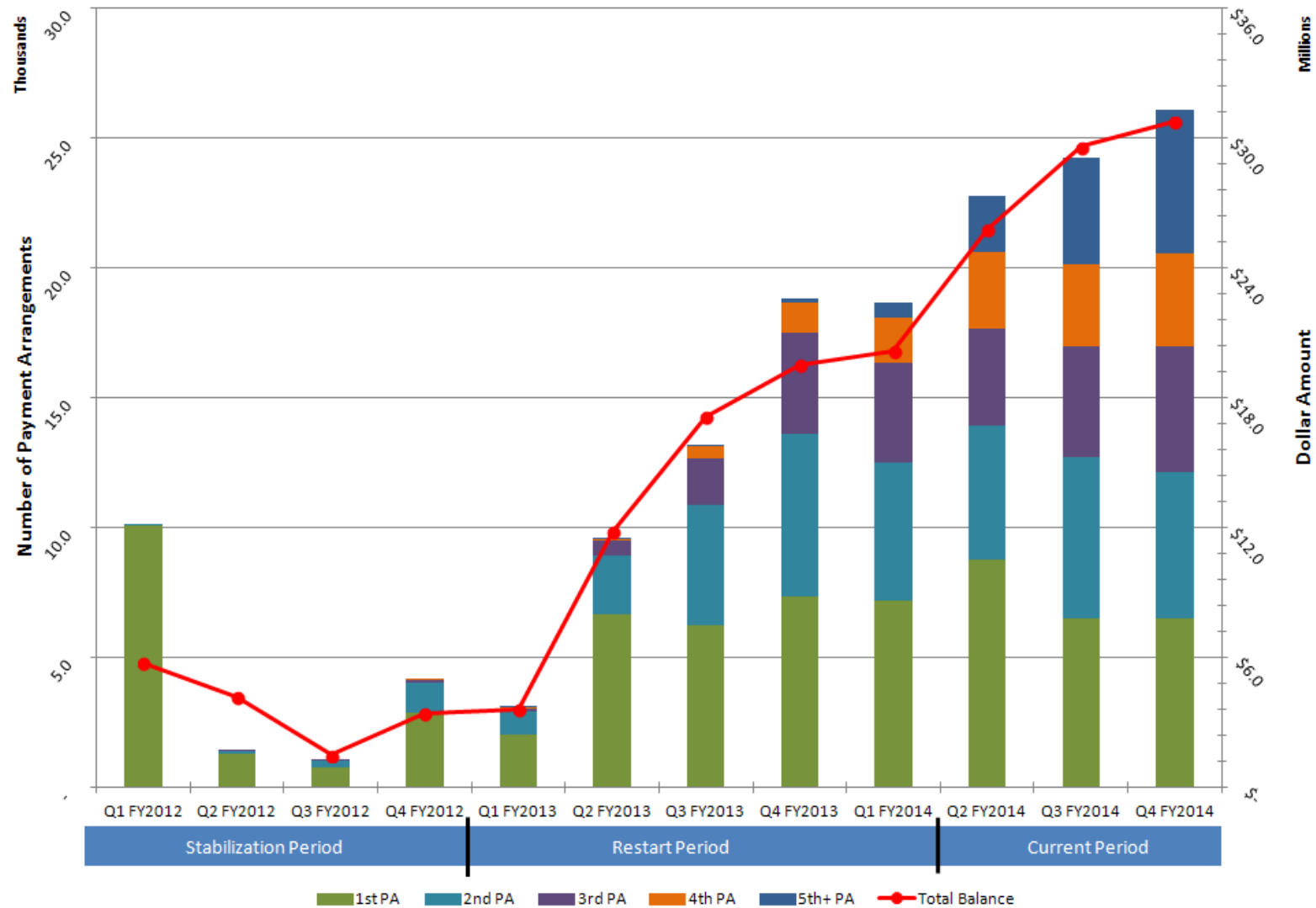
Payment Arrangement Definitions

- Payment Arrangement – formerly known as Deferred Payment Arrangement
- Payment Arrangement – A Payment Arrangement (PA) is a short term payment option for households that are having a temporary crisis; PAs provide several months to pay off overdue utility bills in equal installments. These installments are in addition to the regular monthly current charges. The City of Austin does not disconnect services of customers with approved payment arrangements and on-time payments.
- Successful Payment Arrangement – successful PAs occur when payments for each PA installment plus the current billed charges are received in full, on or before the due date for each applicable month.
- Broken Payment Arrangement – PAs are broken when the full PA installment and current billed charges due are not paid by the due date. If default occurs the account will proceed through the collections process.
- Customer Assistance Program (CAP) – Although CAP is a program consisting of several low income programs, for this presentation CAP indicates customers who receive or are eligible for the CAP Discount program.



History of Payment Arrangement Policy

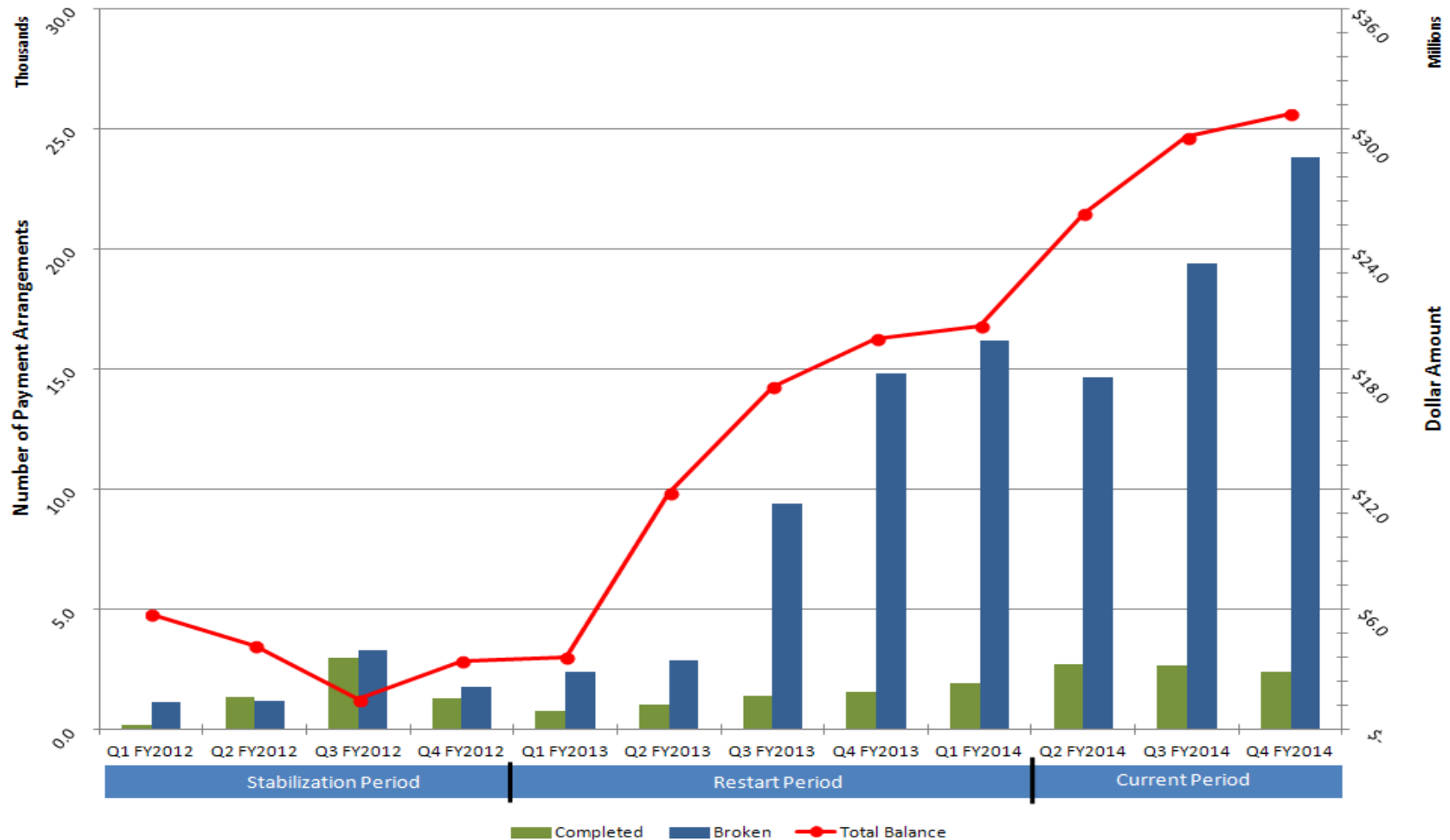
Quarterly Payment Arrangement Allocation (# Started / Total \$)





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



National Comparison of Payment Arrangements

Comparison of Payment Arrangements by Utility - November 2014							
	State	Type of Utility	Utility Name	Payment Arrangements (PA)			
				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	Austin Energy (Committee proposed)	✓	36/48	3/4	✓

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

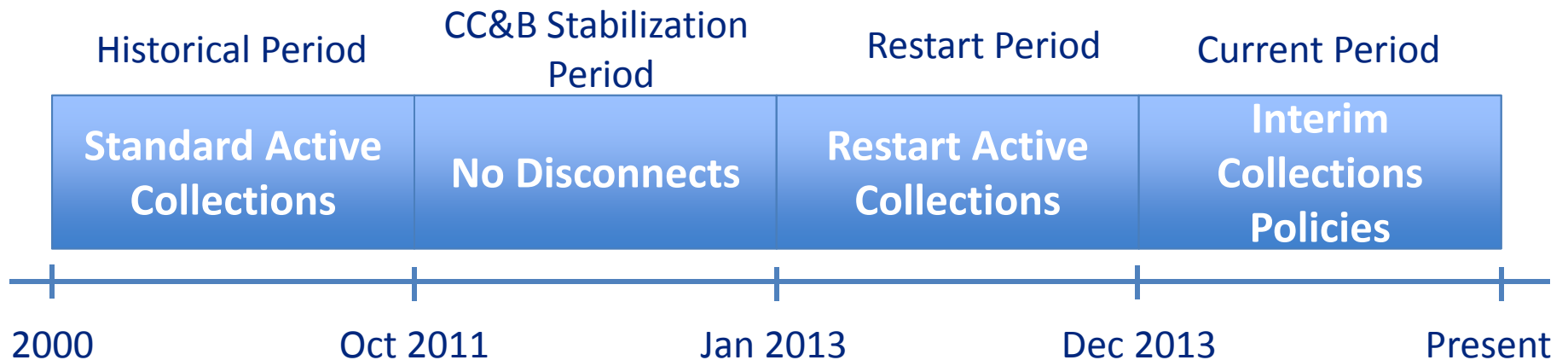


Working Committee Recommendation

	Working Committee Recommended Policy for CAP	Working Committee Recommended Policy for Non-CAP
Eligibility	CAP Discount Customer	General Residential
Length of Term	Unlimited (Payment not to exceed 5% of Federal Poverty Income Level)	Up to 24 months (CSR) Up to 36 months (Supervisors)
Number of PA's Allowed	3 Payment Arrangements 4th with "Bona Fide" Reason*	3 Payment Arrangements 4th with "Bona Fide" Reason*
Down Payment	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



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)



Arrearage Management Definition

Arrearage – Unpaid and overdue amounts due to the City for services rendered

Arrearage Management – Arrearage Management Programs are incentive based programs that provides long-term financial assistance and relief for low-income customers who have significant past due amounts (arrears) on their utility bills.

Customer Assistance Program (CAP) – Although CAP is a program consisting of several low income programs, for this presentation CAP indicates customers who receive or are eligible for the CAP Discount program.

Note: Average amount of arrearage is \$1,100; there are 2,746 customers eligible for the Arrearage Management Program.



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	Austin Energy (Committee proposed)	?	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.

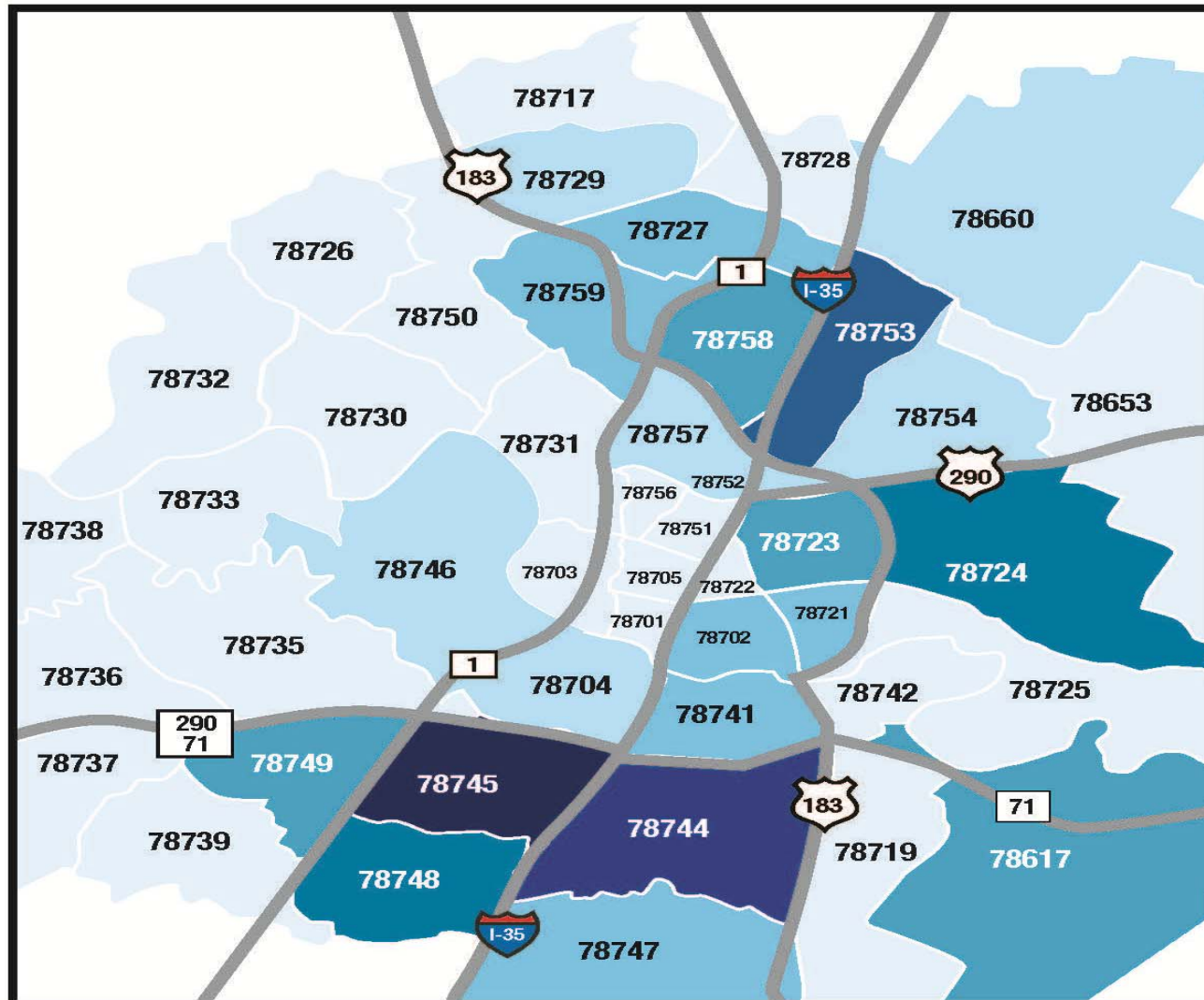


Arrearage Management Program

	Working Committee CAP Participants	Working Committee CC&B Stabilization Period (Non-CAP)
Customer Debt	\$0.5M	\$7.9M
Eligibility	Enrolled or waitlisted on the discount program	Active residential customers who had electric services from June 2011 to June 2013
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> <i>\$1,750-\$3,000 = 12 months</i> <i>\$3,001-\$6,000 = 24 months</i> <i>\$6,001+ = 36 months</i>	
Down Payment	Not required	Not required
Customer Payment Amount	1 st trimester - 20%, 2 nd trimester - 30%, 3 rd trimester - 40% (max at 5% of FPIL)	1 st trimester - 40%, 2 nd trimester - 30%, 3 rd trimester - 20%



Arrearage Customers Debt by ZIP Code



\$ Debt by Zip Code



*includes CAP and non-CAP



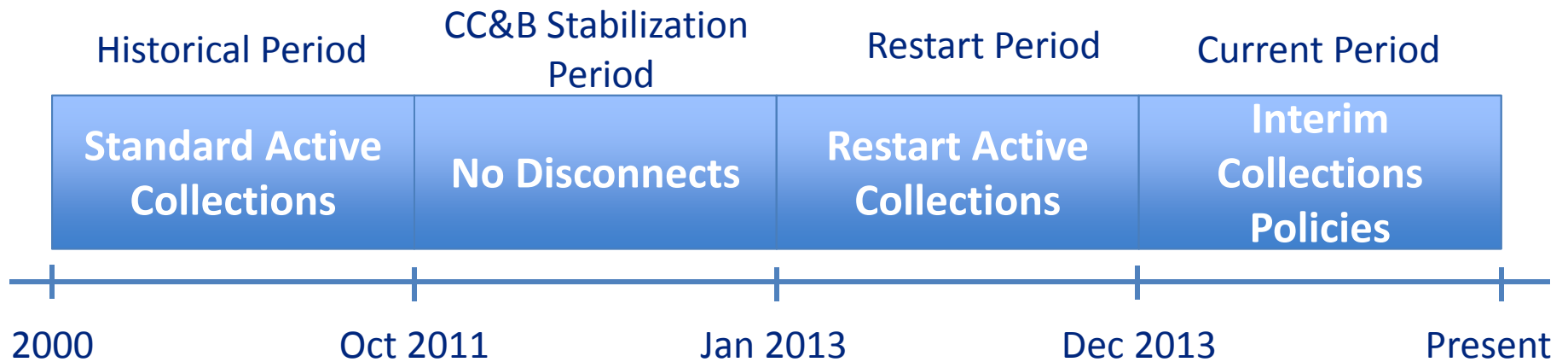
Program Impact Analysis

	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



Concerns and Alternatives



Concerns and Considerations

	Payment Arrangements	Arrearage Management
Financial	<ul style="list-style-type: none">• Growing Accounts Receivable• Increase in Bad Debt Expense• Expensed Bad Debt results in higher rates• Increases the financial burden on all customers	<ul style="list-style-type: none">• Growing Accounts Receivable• Cash outlay of \$5.8M• Practices during the historical period would require no additional money to recover \$6.8M
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

	City of Austin Utilities Response to CAP Policy	City of Austin Utilities Response to Non-CAP Policy
Eligibility	CAP Customer	General Residential
Length of Term	36 month maximum; Payment not to exceed 5% of Federal Poverty Income Level	Up to 8 months (CSR) Up to 12 months (Supervisors)
Number of PA's Allowed	2 Payment Arrangements 3rd with *Bona Fide Reason	1 Payment Arrangement 2nd with "Bona Fide" Reason
Down Payment	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)	City of Austin Utilities Response Stabilization Period (Non-CAP)
Eligibility	Enrolled or waitlisted on the discount program	<p>The Utilities do not recommend an arrearage management program for this group.</p> <p>City recommends a special <u>60-month</u> Payment Arrangement</p> <p>2 Payment Arrangements 3rd with "Bona Fide" Reason</p>
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 st trimester - 40%, 2 nd trimester - 30%, 3 rd trimester - 20%	
Customer Debt	\$0.5M	



Next Steps

- Complete commissions briefings process
- Obtain additional data
- Legal issues review
- Bring back final recommendations to council committee



Appendix: Working Group Members

Utility Committee Members

Kerry Overton – Austin Energy
Alice Flora – Austin Water
Diane Gonzales – Watershed Protection

Jawana Gutierrez – Austin Energy
Jessica Edwards – Austin Resource Recovery

Discount Steering Committee Members

Linda Perez – Meals on Wheels
Michelle Akers- Housing Authority
Tonda Owens – Travis County
Angel Ramirez – Texas VFW

Gloria Cueva – Caritas
Pat Macy – Faith Based Organizations
Kathleen Hopkins – Any Baby Can

Advocate Committee Members

Bob Batlan – Austin Interfaith
Ruby Roa – Ladies Of Charity
Lanetta Cooper – Texas Legal Services
Dan Pruett – One Voice
Vanessa Saria – Community Advancement Network

Kathy Stark – Austin Tenant's Council
Mark Widoff – Texas Gray Panthers
Carol Biedrzycki – Texas ROSE



Training & Customer Service Practices

Advocacy Group Recommendation	City of Austin Utility Current Program Components
Inquiries and referrals to assistance and conservation and efficiency programs would be part of the conference between the customer and the AE Customer Care employee	<p>New hire training includes 15 hours of training on:</p> <ul style="list-style-type: none"> -Determining that a customer needs help when it hasn't been explicitly stated -Difference between a high bill due to AE error vs. high bill due to usage patterns -Analyzing usage patterns Identifying conservation programs that may benefit the customer -Connecting customer with assistance agencies <p><i>Refresher training provided as needed</i></p>
As part of the referral process, there should be an explanation of any arrearage programs including providing the customer application forms and instructions.	If and when an arrearage program is created and funded, the training curriculum will be update to include all of the aforementioned items.
Develop training modules to instruct Customer Care employees on performing one-to-one customer conferences in a compassionate manner with a focus on empathy and consistency of service.	<p>All new hires complete a 12 hour Customer Relationship Building class. The focus is on improving the customer experience through communication.</p> <p>Employees are also coached on these concepts during monthly call quality coaching sessions</p>
Develop referral forms that would tailor contact persons and their contact numbers to greater enable customers with bill paying problems to connect with available resources. Application forms should be provided to the customer.	Referring customer to available resources is covered within the 15 hours of training covered on assistance agencies and conservation
Empower Customer Service Representatives to ensure AE staff have flexibility in working with customers to develop a realistic and reasonable solution to their utility bill problems.	<p>New hire training includes 12 hours of training on:</p> <ul style="list-style-type: none"> -Working with customer to create a payment arrangement that sets the customer up for success -Engaging other AE workgroups -Tying in topics already covered about conservation and assistance agencies <p><i>Refresher training provided as needed</i></p>
<p>New hire training includes:</p> <ul style="list-style-type: none"> -125 hours of classroom instruction -75 hours of trainer supported phone time <p>New hires transition to a nesting environment in the call center for 4 to 6 weeks directly after new hire training</p>	