STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 19-057

REQUEST FOR PERMANENT RATES

DIRECT TESTIMONY OF

Penelope McLean Conner

Customer Group

On behalf of Public Service Company of New Hampshire

d/b/a Eversource Energy

May 28, 2019

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Attachments

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d/b/a EVERSOURCE ENERGY
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I. INTRODUCTION

Q. Please state your name, position and business address.

A. My name is Penelope McLean Conner. My business address is 247 Station Drive, Westwood, Massachusetts 02090. I am Chief Customer Officer and Senior Vice President of the Customer Group for Eversource Energy Service Company ("Eversource Service Company").

Q. What are your principal responsibilities in this position?

A. As Chief Customer Officer and Senior Vice President for Eversource Service Company, I am responsible for overseeing all aspects of customer services, including planning and directing all activities related to the processes of customer inquiries, billing, credit and collections, and field operations, and also for delivering a cost-effective portfolio of energy efficiency programs to customers of the gas and electric companies of Eversource Energy ("Eversource"), including Public Service

Company of New Hampshire d/b/a Eversource Energy ("PSNH" or the "Company"). I lead a team of 1,400 employees and manage a $120 million annual budget. In this proceeding, I am testifying on behalf of PSNH.

Q. Please describe your educational background and professional experience.

A. I hold a Bachelor of Science degree in industrial engineering from North Carolina State University and I am a registered Professional Engineer. From 1986 through 1998, I worked for Duke Power Company in Charlotte, North Carolina. I served in a variety of roles starting in engineering and progressing to management of dispatch and customer service functions and assistant to the president of Duke Power and culminating in a position as General Manager for Process Integration. From 1998 through 2002, I worked for Tampa Electric Company in Tampa, Florida, as a Director of Customer Service. I directed the customer service team of 350 employees with a $21 million annual budget.

In the four years that I was with Tampa Electric Company, I improved customer satisfaction while reducing overall customer service costs. For the years 1998 through 2011, I increased the Company's J.D. Power billing and payment rankings from 11th to 5th in the nation, and customer service rank from 20th to 1st nationally, while reducing bad-debt write-offs by 20 percent. In 2002, I was hired by NSTAR Electric and NSTAR Gas ("NSTAR") as Vice President of Customer Care, where I assured quality customer service for NSTAR's 1.3 million electric and gas customers. Areas under my management included meter reading, billing, call center, credit and collections, cash remittance, energy efficiency, and commercial and industrial account management. I was named Senior Vice President and Chief Customer Officer in 2012 following the NSTAR/Northeast Utilities merger.

For over a decade, I have been the featured customer service columnist for Electric Power and Light Magazine. I am the author of three books, *Customer Service: Utility Style*; *Energy Efficiency: Principles and Practices*; and *Profiles in Excellence: Utility Chief Customer Officers*. I am a member of the Edison Electric Institute Retail Services Committee; Chair of the Customer Service Week Board of Directors; and Chair of the American Council for an Energy Efficient Economy. I also serve on the City of Boston's Green Ribbon Commission, among other charitable and public-service organizations.

Q. Have you previously testified in formal hearings before a regulatory body?

A. Yes. I have sponsored testimony in several proceedings before the Massachusetts Department of Public Utilities, including: <u>NSTAR Electric Company</u>, D.T.E. 07-64 (2007) (NSTAR Green); <u>Low Income Consumer Protection & Assistance</u>, D.T.E. 08-4 (2008) (on behalf of NSTAR Electric); <u>Three Year Energy Efficiency Plans</u>, D.P.U. 09-120 (2010) (on behalf of NSTAR Electric); <u>NSTAR Electric Company</u>, D.P.U. 10-06 (2010) (revised energy efficiency surcharge tariffs); <u>NSTAR Electric Company</u>, D.P.U. 11-85-B/11-119-B (2012) (storm investigation); Electric Grid Modification, D.P.U. 12-76 (2014) (grid modernization); Service Quality Guidelines, D.P.U. 12-120 (2012) (on behalf of NSTAR Electric and WMECO); NSTAR Electric Company and Western Massachusetts Electric Company each d/b/a Eversource Energy, D.P.U. 15-122/123 (Grid Modernization Plan); and NSTAR Electric Company and Western Massachusetts Electric Company each d/b/a Eversource Energy, D.P.U. 17-05 (2017 NSTAR rate case). I have testified before the Public Utilities Regulatory Authority ("PURA" or the "Authority") in Docket 12-06-09 (PURA Establishment of Industry Performance Standards for Electric and Gas Companies); in the CT merger hearings in Docket No. 12-01-07; Application of The Connecticut Light and Power Company d/b/a Eversource Energy to Amend its Rate Schedules, Docket No. 17-10-46; PURA Review of Electric Companies' and Electric Distribution Companies' Plans for Maintenance of Transmission and Distribution Overhead and Underground Lines, Docket No. 16-12-37; and Application of Yankee Gas Services Company d/b/a Eversource Energy to Amend its Rate Schedules, Docket No. 18-05-10. I have not previously testified before the New Hampshire Public Utilities Commission (the "Commission").

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to first summarize the customer experience initiatives being undertaken by Eversource, then introduce two proposals that the Company views as meaningful and necessary steps forward to accommodate changing customer needs, expectations and preferences regarding their payment options for electric service. The first proposal is implementation of a "fee free" credit/debit card payment system that will allow residential customers to pay their bills electronically without a transaction fee. The second proposal is implementation of an arrearage forgiveness program for eligible residential limited-income customers. My testimony also provides a brief overview of the Company's project in 2013 to transition to an automated meter reading system from the prior, manual meter system.

Regarding the first proposal, the marketplace is transitioning quickly to "cashless" business transactions, with customers both expecting and preferring to use their credit/debit cards to pay their bills through mobile or on-line applications. Transaction fees for credit/debit transactions pose a substantial barrier to this practice and are not common for other purchases of goods and services by customers. Customer expectations are set outside of the electric distribution industry, and therefore, for our Company to meet the needs and preferences of customers, it is necessary to acknowledge that the cost of electronic payments is a cost of doing business in this digital age.

For this reason, the Company has developed a proposal for the Commission's consideration to make the transition to a payment structure that is better aligned with customers' needs and expectations for their utility service. The Company's proposal is to transition to a "fee free" payment system that will improve residential customer satisfaction and align electric-utility service with marketplace payment trends.

Regarding the second proposal, Eversource is a pioneer in the field of arrearage forgiveness programs for residential limited-income customers struggling to pay their electric bill. The basic concept is that customers enrolled in an arrearage forgiveness program who make the required affordable monthly payments are rewarded by having their arrears forgiven. There is a clear benefit to the customer in that they gain protection against service disconnection while on the program as well as a fresh start once their arrearage is mitigated. There are also several benefits to arrearage forgiveness program implementation that are gained by utilities. The costs associated with collection activities on these accounts are diminished as field visits and disconnections are avoided. Additionally, participating customers learn consistent payment habits and take steps to reduce their arrearage with each budget payment made in the program.

By implementing an arrearage forgiveness program in New Hampshire, the Company, the Commission, and low-income advocates can partner together to offer a viable solution to the customer's arrearage needs. These programs, combined with discounted rates and energy efficiency programs, provide a holistic approach for financially-challenged customers.

Q. Are you sponsoring any attachments through your testimony?

A. Yes. The table below lists the attachments I am sponsoring through my testimony:

Attachment	Description
Attachment-PMC-1 (Perm)	Third-Party Payment Processing Agreement (Confidential and Redacted)
Attachment-PMC-2 (Perm)	Request for Proposals (August 24, 2016)
Attachment-PMC-3 (Perm)	Request for Proposals (October 12, 2016)
Attachment-PMC-4 (Perm)	Boston Globe, August 4, 2016 and March 14, 2019
Attachment-PMC-5 (Perm)	2017 TSYS Consumer Payments Study
Attachment-PMC-6 (Perm)	Social Security Administration Bulletin
Attachment-PMC-7 (Perm)	Customer Testimonial
Attachment-PMC-8 (Perm)	NCLC White Paper
Attachment-PMC-9 (Perm)	Electric Light and Power Articles on Arrearage Forgiveness

Q. How is your testimony organized?

A. Section I of this testimony is the introduction. Section II describes the Company's customer experience initiatives. Section III describes customer payment trends that are affecting customer expectations and preferences for more and better payment options. Section IV describes the Company's "fee free" proposal, including the process followed by the Company to identify a third-party vendor to provide the service and the ratemaking proposed by the Company at the lowest possible cost. Section IV also discusses the improvements in customer satisfaction that the Company anticipates will occur with approval of this proposal. Section V describes the Company's cost recovery proposal for providing a "fee free" credit/debit card payment option to all Company residential electric customers. Section VI discusses the "fee free" credit debit card conclusion. Section VII describes the Company's proposed arrearage forgiveness program, including customer eligibility requirements. Section VIII discusses program design and implementation. Section IX. describes the Company's outreach plans. Section X requests cost recovery for implementation. A rate recovery mechanism is described in the testimony of Company witnesses Eric Chung and Troy Dixon. Section XI discusses the Company's deployment of automated meter reading ("AMR") devices. Section XII is the conclusion.

II. CUSTOMER EXPERIENCE INITIATIVES

Q. Please describe Eversource's approach to customer service.

A. Eversource is always working to serve customers better, by delivering new customer service solutions and enhancing the ways our customers interact with us to make doing business quick and easy. The initiatives we have undertaken in the past few years have helped us do just that, improving the customer experience across a variety of touchpoints in the customer lifecycle, from the way a meter is read to how customers view and pay their bills. As a channel our customers most value, continuously enhancing digital tools and information at Eversource.com is also a key focus area. Eversource has taken major steps to improve the digital and self-service customer experience, implementing a dynamic and robust outage and billing and payment alert system, introducing a new outage map and just recently, launching its first mobile app.

For Eversource, the voice of the customer is and will continue to be a key driver of the customer experience transformation. Using surveys, enhanced digital analytics and the online customer community, Eversource is communicating directly with its customers, incorporating their feedback to strengthen customer interactions and create a top-tier customer experience.

Q. Why is it important to serve customers using their channel of choice?

A. In today's digital marketplace, customers have greater choice in the methods available for conducting business. To keep customers satisfied, Eversource must adapt to customer needs and expectations. Eversource envisions a future where customers will be able to quickly and easily transact business with Eversource using their channel of choice, e.g., receiving a text message indicating that their bill is ready, and when they click on the text they will be able to review and subsequently pay their bill. This type of personalization is beneficial to the customer because it is provided effortlessly and at the precise moment when the customer is engaged in the transaction, rather than consuming additional time and effort at a later date. Today, however, the Company's systems are not connected in a way that would allow for cross-feeding information.

Q. What are some of the Company's successful Customer Experience initiatives, since the Company's last rate case?

A. Since the Company's last rate case in 2009 in Docket No. DE-09-035, the Company has implemented several successful new customer-oriented initiatives including:

- Implementation of a computer software network for large power meter reads (2009).
- PSNH.com re-architecture project, adding several components and enhancements (2010 – 2012).
- Implementation of a new Meter Data Management system, including several components and enhancements (2011 – 2013).
- Consolidation of Legacy Northeast Utilities and Legacy NSTAR intranet and the enhancement of the WEB Content Manager (2014).
- A new one-company website (eversource.com), the Energy Savings Plan for residential and small commercial and industrial ("C&I") customers, the Energy Analysis Tool for large C&I customers, our Customer Engagement Platform to increase energy efficiency participation, implementation of business customer webinars, Enterprise Customer APP Integration and C2 Regulatory Enhancements (2015).
- A new 24/7 social care, full-color bill design and format, Live Call Conversation, Proactive Outage Alerts, mobile alerts notifications for bills and payments, installation of a new outage map which allows customers to see where crews are working in the area, digital/web enhancements, a Fieldnet computer software upgrade, and the Interval Collection System consolidation

(2016).

- To improve the timeliness of mailed payment processing and customer satisfaction, in September 2017, Eversource issued a Request for Proposals ("RFP") to solicit vendor proposals for mail payment processing services. On January 29, 2018, Eversource finalized a contract with Century Bank & Trust to process all Eversource customer payments made by mail from Century Bank's payment processing facility located in Medford, Massachusetts. Implementation for New Hampshire customers started on June 18, 2018.

- In May 2019, the Company launched its mobile app for Apple and Android users to give customers the ability to easily manage their accounts from their smart phones. The app gives customers the flexibility to make payments, view up to 12 months of past bills and payments, link and manage multiple service accounts, manage paperless billing settings, report or check the status of an outage, view the outage map and more, while on the go.

III. CUSTOMER PAYMENT TRENDS

Q. Why does the Company view the "fee free" credit/debit payment option as a benefit for customers and a necessary consideration in this case?

A. As noted previously, customer expectations are changing in large part due to the growing availability of digital technology and a proliferation of methods used to purchase and sell goods and services in an e-commerce environment. Customers now routinely make purchases and pay bills using these methods and, as a result, customers have higher expectations as to how business should be transacted with the Company. Providing a "fee free" credit/debit transaction meets that need and can be implemented in a relatively short timeframe. A "fee free" transition is a significant step in increasing customer satisfaction.

Q. Why would the elimination of the transaction fee for credit/debit card transactions be a priority in the context of other initiatives that must be undertaken to accomplish the digital transformation?

A. PSNH routinely conducts customer satisfaction surveys and an area of repeated customer complaint involves bill payment options. Customers want the convenience of paying their monthly bill with a credit/debit card without incurring a transaction fee. It is a service that customers want, and it is relatively easy to provide through a third party. Where there is a simple solution that can increase customer satisfaction, the Company places a priority on achieving the customer benefit associated with that solution.

Other solutions take more time to implement. To personalize services for customers, PSNH is investing in the technological tools to support an ever-increasing personalized connection with customers, including establishing a new digital team dedicated to providing customers with their preferred digital experience. The team is in the process of re-architecting its entire information system infrastructure to support the volume and types of transactions demanded by customers in a digital marketplace. PSNH's digital systems strategy includes upgrades to the Company webpage to better accommodate web-based transactions. The Company is also moving to a "social care" model to respond to the increasing customer trend toward use of social media to share their experiences, frustrations, and requests for service. To be serious about serving customers in ways that are meaningful to them, the Company must make significant, innovative changes in the way it is currently serving customers.

Q. Has customer-payment technology evolved over the years?

A. Yes. In years past, mailed and in-person payments were the norm. As customer payment preferences have changed, so have utility practices, expanding to include more convenient payment options like auto draft, check-by-phone, and numerous other options to meet customer needs. As our customers rely increasingly on digital tools, payments are also being made electronically more and more. Accordingly, the costs of providing electronic and digital service options, including "fee free" credit and debit card acceptance, should be part of the cost of doing business for today's utilities. Customers are moving toward electronic payments and increasingly using credit/debit cards. This is the number one touchpoint - customers are connecting with the Company on the order of 12 or more times a year to make payments to the Company and to obtain help with other customer service needs. Approximately 65 percent of customer payment transactions are completed electronically e.g., auto payment, electronic check or credit and/or debit card. In

2018, 70 percent of PSNH's customers completed their payments electronically. As customers become more accustomed to paying electronically, adoption rates are expected to increase, particularly with customer use of systems like Apple Pay, where the customer has designated a credit card for charges incurred. If the Company is going to support Apple Pay or PayPal or other similar techniques for payment (and the Company's business partner, KUBRA, is already developing the systems and codes to support that functionality), then the Company will need to be positioned to meet customers' needs without requiring a transaction fee.

Q. What insight can you provide as to current payment trends and customer expectations?

A. As exemplified in the August 4, 2016 Boston Globe article included in Attachment PMC-4 (Perm), the current trend is to digitize customer payment for goods, services and merchandise, with some businesses restricting payment to only electronic means, e.g., no cash allowed. A later Boston Globe article published on March 14, 2019 and also included in Attachment PMC-4 (Perm) further noted increasing customer preference for cashless transactions. More recently, Mercedes Benz Stadium in Atlanta announced a move to cashless transactions.[1] According to a "2017 Consumer Payments Study" performed by TSYS (Total System Services), customers overwhelmingly prefer to pay via a debit or credit card (77 percent). A

[1] Mercedes Benz Stadium cashless transactions available at https://www.ajc.com/sports/mercedes-benz-stadium-will-convert-cashless-operation/7GdA0UNpqYUrB5b4dpdNZI/

copy of this study is presented in Attachment PMC-5 (Perm). A 2017 study by the Federal Reserve found that credit card payments registered the highest growth rate (10.2 percent) among core payment types from 2015 to 2016, up from a growth rate of 8.1 percent from 2012 to 2015.[2]

Like other major utilities, the Company utilizes proprietary J.D. Power survey results to gain insight into customer behavior. J.D. Power's research analysis identified a generational trend of customer bill payment behavior. Generation X,[3] Millennials,[4] and later generations pay their utility bills by credit card at a rate of *three to four times* that of earlier generations. The Millennial generation have surpassed Baby Boomers[5] as the nation's largest living generation and are expected to peak by 2036. Demographically, the Company's customer base is increasingly comprised of customers who expect to be served electronically using the payment channel of their choice.

J.D. Power's customer satisfaction research shows that customers are not required to pay transaction fees for the use of credit cards in *almost all industries*. As more customers come to prefer and rely on payment by debit/credit card, they are

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[2] The Federal Reserve Payments Study: 2017 Annual Supplement, available at https://www.federalreserve.gov/paymentsystems/2017-December-The-Federal-Reserve-Payments-Study.htm

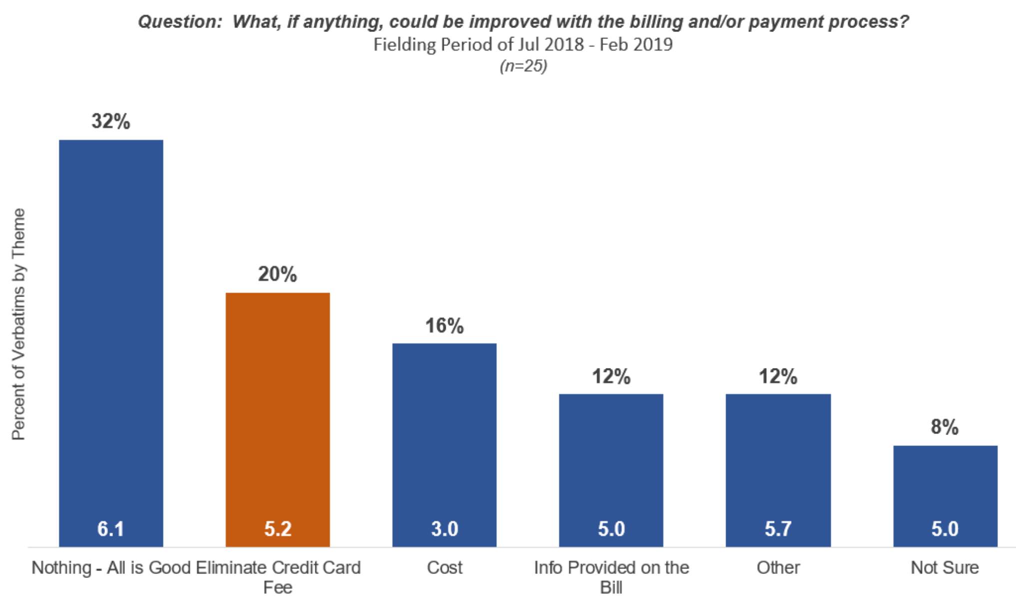
[3] For purposes of the J.D. Power study Generation X refers to the population ages 35 to 50 as of 2015.

[4] For purposes of the J.D. Power study the Millennial Generation refers to the population ages 18 to 34 as of 2015.

[5] For purposes of the J.D. Power study the Baby Boomer Generation refers to the population ages 51 to 69 as of 2015.

dissatisfied with paying transaction fees for the "convenience" of using these electronic payment methods. Table PMC-1 below shows that 20 percent of New Hampshire utility customers polled by J.D. Power were dissatisfied with the levying of a fee for the "convenience" of using a credit card or debit card to pay their utility bill.

Table 1: J.D. Power Electric Residential Study (NH)



As noted previously, customer service expectations are being set outside of the electric utility industry. As a result, customers are turning to the Company with similar expectations for managing and paying for their electric distribution service. As of March 11, 2019, 166,923 (or 33 percent) of PSNH customers elected to receive e-bills, further providing evidence of our customers' increased desire for channels of choice.

Q. Will vulnerable customers be excluded from any benefit involved with a "fee free" credit/debit card option?

A. No, to the contrary. As with other parts of the economy, there is a trend of increased use – even by federal agencies and other consumer organizations – to serve vulnerable constituencies, including low-income, with debit cards.

The American Association of Retired Persons ("AARP") estimates that one in five New Hampshire residents receive Social Security benefits. These benefits are only received electronically, either via direct deposit or through a debit card. This statistic does not include other benefit payments that may be received electronically via other agencies such as the Veteran's Administration or Office of Personnel Management.[6] Also, in New Hampshire the Electronic Benefits Transfer ("EBT") card may be used to pay utility bills. The EBT card looks and works much like a credit card, but unlike a customer credit card it does not accrue interest. By offering "fee free" credit and debit card payments, we are opening a channel that is already

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6 https://www.aarp.org/content/dam/aarp/research/surveys_statistics/general/2014/ssqf/Social-Security-2014-New-Hampshire-Quick-Facts-AARP-res-gen.pdf

available to the many customers who are receiving government benefits via a debit card.

According to the 2015 FDIC National Survey of Unbanked and Underbanked Households,[7] 1.8 percent of New Hampshire households were unbanked (meaning that no one in the household had a checking or savings account) and 18.2 percent were underbanked (meaning that the household had an account at an insured institution but also obtained financial services and products outside of the banking system). Some of the most commonly cited reasons for not having a bank account were the inability to maintain a minimum balance and high bank account fees. These households may solely rely on credit/debit cards to pay their bills and charging this vulnerable population additional transaction fees to use those cards is problematic.

Q. How do PSNH customers currently pay their bills?

A. During 2018, PSNH customers made only 5.2 percent of their utility payments by credit/debit card, with transaction costs for those customers totaling approximately $389,239. PSNH residential customers who currently elect to pay via credit/debit card are assessed a per-transaction charge of $2.25 per each $600 increment paid by a third-party payment processor. This transaction charge was higher at $3.50 for the first eight months of 2016, with assessed transaction fees totaling $306,324.

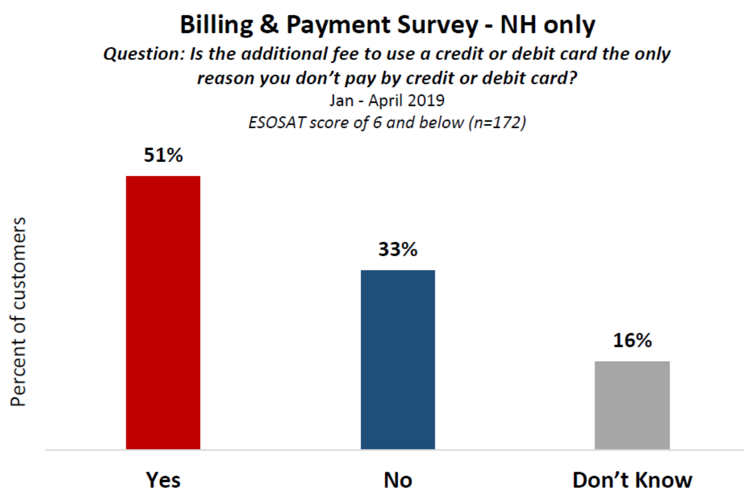
[7] https://www.fdic.gov/householdsurvey/2015/2015report.pdf.

PSNH's customer adoption rate increased as the fee was reduced, affirming that credit/debit cards are a popular payment option that customers increasingly choose as the cost is reduced. When the Company instituted a lower per-transaction charge from $3.50 to $2.25 per $600 increment paid, the residential customer response was instantaneous and significant with an increase in usage of 6.1 percent, as compared to the same time period in 2015. This response occurred without any advertisement or promotion to customers. As noted previously, approximately 65 percent of customer payments are made electronically. The remaining 35 percent of payments are made via are checks mailed to the Company. The Company's expectation is that as additional electronic payment options are introduced to PSNH customers, the ratio of customers using paper checks will decline substantially and ultimately will be eliminated in favor of electronic payments.

Q. Are customers dissatisfied when paying a fee to complete a credit/debit card transaction?

A. Yes. In today's economy, customers are very rarely required to pay a separate transaction fee to use a credit/debit card to make payment. Consequently, requiring a transaction fee for utility payments causes a high level of dissatisfaction for our customers. As Table PMC-2 indicates, 51 percent of PSNH customers surveyed stated that the only reason they do not pay their utility bill by debit or credit card is because of the convenience fee. In addition, nearly 18 percent of customer comments in the Billing & Payment area of the Company's customer satisfaction surveys relate to customer dissatisfaction with credit/debit card “convenience” fees. It is clear the “convenience” fee is a deterrent, limiting customer payment options in an economy where “fee free” transactions are the norm.

<u>Table PMC-2: Convenience Fees</u>



Bolstering this position are the results of J.D. Power’s 2017 midpoint Electric Utility Residential Customer Satisfaction Study where customers indicated they are most satisfied with their payment options when they can pay by credit card -- either through automatic deduction or as a one-time payment through the utility website.

The number of customers who receive social security (and other) benefits electronically and enjoy the convenience of paying with debit and credit cards for other goods and services is increasing, as is customer dissatisfaction with the Company’s current payment options. Offering “fee free” payment options will reverse that trend, increasing PSNH customer satisfaction.

IV. PROPOSAL FOR CUSTOMER PAYMENT OPTION

Q. What is the Company's proposal in relation to "fee free" credit/debit transactions?

A. The Company cannot offer or conduct credit/debit card payment options without a third-party vendor to handle the actual transaction. Therefore, in this proceeding, the Company is proposing that the Commission review a proposed agreement between Eversource Service Company, as agent for PSNH, and SpeedPay Inc. ("SPI"), which is a subsidiary of Western Union, and allow recovery of the cost of this agreement through distribution rates. The agreement is presented in Attachment PMC-1 (Perm) ("Amendment No. 1 to the Speedpay Master Services Agreement") (the "SpeedPay Agreement").

Under the SpeedPay Agreement, SPI will provide the services necessary to offer credit/debit card transactions to the Company's residential customers on a "fee free" basis. The cost of the service will be charged to the Company and the Company proposes to recover the cost of this residential service from all residential customers through distribution rates. As indicated previously, for the first eight months of 2016, customers opting for payment by credit/debit card paid a transaction fee of $3.50, which was reduced in September 2016 to $2.25 per $600 increment due to implementation of the customer-payment option on an enterprise-wide basis. The lower transaction fee resulted from the purchasing power associated with instituting the service on an enterprise-wide basis. With the

Commission's approval of the "fee free" proposal, this transaction fee for individual residential customers would be eliminated and the service would be available to all residential customers on a "fee free" basis without having to pay a transaction fee each time they use their credit or debit card. At the outset of the arrangement, the Company's cost would be lower than the current transaction fee, subject to modification in limited circumstances during the term of the SpeedPay Agreement.

Q. Why has the Company decided to limit "fee free" to residential customers?

A. Residential customers are the largest customer segment and in aggregate constitute the largest number of payments made. The Company believes offering "fee free" to the residential customer segment makes the most economic sense and will enhance overall customer satisfaction. Further, non-residential customers are more accustomed to credit card fees and are better able to bear the cost of those fees than residential customers.

Q. Why is the agreement entitled "Amendment 1 to the SpeedPay Master Services Agreement"?

A. Eversource Service Company has a Master Services Agreement currently in place with SPI for the payment service that is provided to customers today (at their cost). Western Union is one of the largest providers in the U.S. of payment transactions and Eversource Service Company has had good experience with Western Union in terms of obtaining reliable, reputable, and cooperative service. SPI participated in the competitive solicitation for the "fee free" service and was the successful bidder, providing the least-cost option for Eversource Service Company. In addition, by remaining with Western Union as the third-party service provider, Eversource Service Company will avoid costs and time associated with switching to a new third-party vendor for the "fee free" service.

Q. What is the term of the SpeedPay Agreement?

A. The existing Master Services Agreement has a three-year initial term, with the option of automatic renewals on an annual basis. The proposed SpeedPay Agreement presented to the Commission for its consideration in this proceeding has a five-year term commencing with the date of the Commission's approval, if it is granted. Eversource Service Company sought a five-year term to provide certainty for the vendor, which would help to lower transaction costs, while at the same time providing Eversource Service Company with the option to put the arrangement out for re-bid to the marketplace on a periodic basis to confirm least-cost service. Eversource Service Company has the option of terminating either agreement prior to the end of the term for enumerated reasons. The five-year contract covers all Eversource operating territories, including PSNH.

Q. Please describe the cost structure for credit/debit transactions that would be handled by SPI.

A. As indicated in the SpeedPay Agreement, SPI has agreed to a sliding-scale cost structure whereby the per-transaction charge is aligned with: (1) the total payment amounts by customers; and (2) the total number of Company customer payment transactions conducted through the service. SPI will charge the Company monthly for the actual transaction fees incurred. The per-transaction fee is subject to change on a quarterly basis to reflect customer participation and payment amounts actually experienced. Under this structure, the transaction fee that would be incurred by the Company will start at a particular rate but could increase or decrease depending upon the total value and number of credit/debit card transactions that actually occur in a respective quarterly period.

During the term of the SpeedPay Agreement, the per-transaction fees are subject to modification in the event that either the "average customer payment amount" increases beyond specified tiered thresholds (this is defined as the average dollar amount of all customer payments conducted for a quarterly period), or the "pure credit card percentage" increases beyond specified tiered thresholds (this is defined as the number of customer payments made using only credit cards divided by the total customer payments made for a quarterly period). If either of these circumstances occur, the Company has the option to re-negotiate the terms of the SpeedPay Agreement or ultimately to terminate the agreement and solicit new competitive bids from vendors in the marketplace. This option would not likely be triggered unless it is the Company's judgment that less expensive options may be available in the marketplace.

Q. Why is it necessary and appropriate to institute a sliding scale cost structure within the SpeedPay Agreement?

A. The sliding scale cost structure is necessary because the experience and expertise of both the Company and SPI indicates that a substantial portion of residential customers will migrate to this service within the first few years of its offering. As a result, the pricing structure must account for this dynamic. As discussed in more detail below, the anticipated trending in customer participation is also the main reason that the Company cannot undertake this transition on its own without the Commission's ratemaking support.

Q. How has the Company determined that the per-transaction cost agreed to by SPI is reasonable and "least cost"?

A. To identify the third-party vendor willing and able to handle the Company's credit/debit card transactions at the least cost and on a reputable, reliable basis, Eversource Service Company conducted a competitive RFP process. This process occurred in two rounds, with a second round arising from the substantial learning that Eversource Service Company obtained through the first round. Based on these sequential processes, the per-transaction cost offered by SPI is the lowest cost available from market participants electing to participate in the RFP. In addition, SPI is a reputable, reliable vendor that has familiarity with Eversource Service Company's processes and procedures. As a result, Eversource Service Company determined that SPI was the best choice for a third-party vendor to handle its credit/debit card transactions.

Q. Please explain the reason Eversource Service Company issued two RFPs and the results achieved through each solicitation.

A. As noted above, the experience and expertise of both Eversource Service Company and Western Union indicates that the per-transaction charge is inversely related to customer participation rates, e g, the lower the transaction charge, the greater rate of customer participation. This inverse relationship makes it very hard for the Company to approach the "fee free" concept from a traditional ratemaking perspective because, even if the Commission were to allow the test-year cost associated with "fee free" credit/debit transactions in rates, customer participation is anticipated to ramp-up substantially with the offering of a "fee free" credit/debit card payment option. As a result, if the Company were to implement the "fee free" option in the test year (or even in the year or two prior), the test-year cost would never approximate nor in any way be representative of the post-test year actual expense.

Based on this recognition, Eversource Service Company issued an RFP on August 24, 2016, soliciting bids from third-party vendors to handle "fee free" credit/debit card transaction for Company customers. This RFP accompanies my testimony as Attachment PMC-2 (Perm). Eversource Service Company asked prospective bidders to offer a single, fixed-annual payment for the opportunity to provide the service to the Company's customers, rather than charging the Company on a per-transaction basis. The Company did not provide estimates of an expected customeradoptions rate to potential bidders, nor did the Company indicate a willingness to "cap" customer participation.

Through this structure, the Company sought to achieve three objectives: (1) to meet customer expectations and preferences through the offering of a "fee free" credit/debit card payment option; (2) to obtain an annual, least-cost fixed price from the third-party vendor that could be incorporated into distribution rates in the Company's approaching base-rate case; and (3) to transfer the risk of costs associated with robust customer adoption rates to the vendor.

Q. What penetration or migration rate did you use to calculate the cost of the program?

A. The Company used a more gradual and conservative customer migration rate (as shown in Table PMC-3 below), which is based on recent research on customer adoption rates at other utilities and input from J.D. Power.

Table PMC-3: Customer Migration Rate

Year	Penetration Rate
Year 1	5%
Year 2	9%
Year 3	12%
Year 4	14%

Q. Are there off-setting cost savings from the transition to a "fee free" credit/debit card payment option?

A. Yes. The Company estimates that the proposed "fee free" initiative could save $124,000 over the four-year period proposed in this rate proceeding from reductions to payment processing expenses. The Company's off-setting savings calculation assumes that two groups of customers will likely shift to pay their bill using the "fee free" credit/debit card option. The first group will be a subset of customers who currently pay electronically (via direct debit where the funds are directly deducted from the customer's bank account). The second group will be a subset of customers who currently pay by mail/check.

Q. What is the Company's proposal for recovery of the cost associated with offering a "fee free" credit/debit card payment option?

A. As discussed above, Eversource Service Company has conducted an RFP process designed to obtain the least-cost transaction fee for credit/debit card transactions to be handled by SPI over a five-year period for all Eversource service territories. Based on reasonable assumptions regarding customer migration to the "fee free" credit/debit payment option, the average annual cost is estimated to be approximately $738,000 for the Four-Year Rate Plan in this rate case of 2020-2023.[8] The Company is proposing to include this annual amount in the revenue requirement, as discussed in the pre-filed testimony of Company witnesses Mr. Chung and Mr. Dixon. However, the amount paid to SPI by the Company will vary from year to year from this amount and will be a function of actual customer migration and the value of the credit/debit transactions.

[8] The direct testimony of Mr. Chung and Mr. Dixon explains that the net projected cost to implement this program is $353,000, $636,000, $848,000 and $990,000 for 2020, 2021, 2022 and 2023, respectively; which is shown in Attachment EHC/TMD-1 (Perm), Schedule EHC/TMD-9 (Perm), Page 1-2 and which constitutes $707,000 annually *on average* over this four-year period. This projected net expense reflects the anticipated savings resulting from the implementation of this proposal.

As Mr. Chung and Mr. Dixon explain in their testimony, the Company is proposing to create a reserve fund that would be funded through the annual contribution collected through rates ($738,000 annually on average over the Four-Year Rate Plan) and charged for the annual payments to SPI.

Based on a comparison of actual total “fee free” credit/debit card program costs incurred by the Company to the amount allowed in rates, any over-collection would be credited to residential customers and any over or under-collection would be deferred for recovery in rates at the time of the next rate case. Eventually, the annual cost of the “fee free” credit/debit card payment option should become more routinely incorporated into rates as a representative annual expense.

Q. Is it appropriate to maintain a policy of charging transaction fees only to those customers utilizing the credit/debit card payment option?

A. No. All areas of the economy are moving to a cashless platform, with use of credit/debit cards as the currency of choice. The Company’s expectation is that a substantial portion, if not all of the customer base will eventually make payments electronically, with a credit/debit card option as a primary choice.

Although the Company’s current practice is to have each customer that elects to use a credit card pay for the associated convenience fee (instead of socializing that cost onto all customers), this practice is outdated. Times have changed, customer expectations have increased, and customers have expressed a desire for more convenient bill payment options. By comparison, it was common in the 1980s and early 1990s for utility companies to operate customer payment centers interspersed within a company's service territory. The costs of these payment centers were relatively substantial, including capital costs associated with establishing a physical business office and operating and maintenance expense to run and maintain these offices. These costs were recovered from <u>all customers</u> through distribution rates, regardless of how many customers actually visited those payment centers. Similarly, when the business offices were closed in the late 1990s and early 2000s, the Company offered the convenience of making payments through an authorized payment agency for Company customers, which <u>all customers</u> paid for regardless of the number of customers accessing the service.

In New Hampshire in 2018, one significant authorized third-party payment agency stopped taking utility payments. The decision of these entities can be disruptive to PSNH and its customers. Allowing more customers to easily use "fee free" credit and debit electronic card payments could avoid the cost, inconvenience and/or disruption caused by a third-party payment agency discontinuing service.

Social Security offers the Direct Express® card, which is a debit card that can be used to access benefits. The Social Security Administration highlights that consumers do not need a bank account with the Direct Express® card program because federal benefit payments can be directly deposited into a card account. According to the Social Security Administration, benefits of this approach include the fact that monthly benefits will be available on time, every time. And importantly, social security recipients can use the card to make purchases, pay bills, or get cash at thousands of locations.[9]

AARP highlights that, on March 1, 2013, the U.S. Treasury Department formally took the system fully into the new age by decreeing that all benefit payments issued by the Social Security Administration and other federal agencies had to be delivered in electronic form. As of March 2015, approximately 98.6 percent of Social Security beneficiaries were receiving benefits through this mechanism.[10]

For low-income customers whose options for paying utility bills are limited to credit/debit card or going to a walk-in payment center, even a few extra dollars in transaction fees could be a barrier to credit/debit card payment.

Q. Are there other considerations on socializing the cost of the fee free program?

A. PSNH offers its customers a variety of payment options and supports offering options that are used by a small portion of customers. Customers have the option to pay their PSNH bill either through an authorized third-party walk-in payment center or through a Customer Service Representative ("CSR") over the phone to process a check. In 2018, there were 159 authorized third-party walk-in payment centers that were used by 21,230 customers and, as part of the contract with PSNH,

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9 https://www.ssa.gov/deposit/howtosign.htm. November 14, 2016.

10 http://www.aarp.org/work/social-security/info-2015/direct-deposit-social-security-benefits.html. November 14, 2016.

fees are absorbed by the Company. Customers may also pay at non-authorized third-party walk-in payment centers and those centers' fees may be as high as $2 per payment which are based on the competitive market for the service.

V. REQUEST FOR RATE RECOVERY OF THE FEE FREE EXPENSE

Q. What is the amount the Company seeks to recover in rates for 2020, 2021, 2022 and 2023?

A. The Company seeks to recover $353,000, $636,000, $848,000 and $990,000 for 2020, 2021, 2022 and 2023, respectively, which is described in the testimony of Mr. Chung and Mr. Dixon. The amounts presented in their testimony and the associated workpapers represent the costs referenced above, less associated savings which, as described previously, total approximately $124,000 over the four rate years proposed in this proceeding.

As indicated previously, this amounts to $738,000 annually on average in rates over the next four years, or $707,000 annually on average net of offsetting savings. The Company estimates a penetration rate of 5 percent in the first year. In year two the Company estimates a penetration rate of 9 percent. In year three, the Company expects a penetration rate of 12 percent and in year four, the Company expects a penetration rate of 14 percent. Table PMC-4 shows the projected costs and offsetting savings at these penetration levels.

Table PMC-4: Projected Costs

NH Net Cost Savings Calculation (Residential Only)				
Year	Fee Free Penetration Rate %	Price	Total Offsetting Savings	Net Cost
1	5.0%	$ 368,826	$ 15,443	$ 353,382
2	9.0%	$ 663,886	$ 27,798	$ 636,088
3	12.0%	$ 885,181	$ 37,064	$ 848,117
4	14.0%	$ 1,032,711	$ 43,241	$ 989,470
Total		**$ 2,950,604**	**$ 123,546**	**$ 2,827,058**

VI. "FEE FREE" CREDIT/DEBIT CARD CONCLUSION

Q. Would you please summarize the Company's "fee free" Credit/Debit Card request in relation to this testimony?

A. The Company is requesting authorization to enter into a five-year contract with SPI to enable the transition to a "fee free" payment option and to recover $707,000, through residential distribution rates to fund the transition plan. The transition plan will place no threshold or cap on residential customer participation in the "fee free" payment option and the Company will pay the actual costs of the transition, to SPI pursuant to the terms of the SpeedPay Agreement. The Company is further requesting that, in the Company's next base-rate proceeding, based on a comparison of actual total "fee free" credit/debit card program costs incurred by the Company to the amount allowed in rates, any over-collection shall be credited to residential customers and any under-collection shall be deferred for recovery in rates at the time of the next rate case. The Commission's authorization for this transition plan will be a significant decision for residential customers and will improve their satisfaction with utility service on the PSNH system as it will align their service options with their experience in the broader marketplace.

Q. Will the Company move ahead with the SpeedPay Agreement without the Commission's approval of the Company's proposed ratemaking treatment?

A. No. The Company will not undertake this endeavor without the Commission's support.

VII. NEW START ARREARAGE FORGIVENESS PROGRAM

Q. What is New Start and how does it benefit the customer and the utility?

A. New Start is an arrearage forgiveness program that provides payment assistance for qualifying residential customers struggling with past due utility bills. Eversource currently offers New Start to customers of its Massachusetts and Connecticut companies. The concept of New Start is simple - for every on-time monthly payment an enrolled customer makes to the Company, a portion of their past due balance will be forgiven.

The customer benefits from the New Start program in three ways: (1) it enables the customer to develop consistent bill payment habits; (2) it protects the customer from service disconnection while participating in the program; and (3) it enables the customer to get a fresh start as the arrears are forgiven with each payment made.

The ultimate goal of New Start is to enable the customer to successfully manage and pay for their energy usage, and thereby break the vicious cycle of building arrears, being disconnected and carrying debt. Participating customers can also improve their overall credit rating and better manage other bills. The relationship with the utility changes from one that is threatening (e.g., disconnection) to working with the customer as a partner in solving their arrearage problem. For the utility, the costs associated with collection activities on these accounts are diminished as field visits and disconnections/reconnections are avoided.

As noted in Attachment-PMC-7 (Perm) Customer Testimonial, one New Start participant shared her appreciation of the program by writing, "*Thank you so much for allowing me to be placed in the New Start program. In 2013 when my husband separated himself from our marriage of almost 23 years—everything fell to pieces. It's been a long hard trip; I will be done with college in a year – but I am doing much better than before. So much good will always come your way!*"

Attachment-PMC-8 (Perm) – NCLC White Paper contains a publication written by Charles Harak, senior attorney for the National Consumer Law Center and a renowned low-income advocate. The publication is entitled, "*Helping Low-Income Utility Customers Manage Overdue Bills through Arrears Management Programs.*" In the Executive Summary, Harak states, "The AMP program is an important tool to respond to spiraling energy costs and the increasing numbers of utility customers who cannot afford to pay their bills, particularly when the customer gets behind and is asked to pay off both current charges and the arrears." With regard to the benefits of the AMP program, Harak notes, "Customers avoid utility termination and can obtain a fresh start by making payments during the plan. Just as importantly, the customer enters into a cooperative relationship with the utility, increasing the likelihood that the customer makes whatever payments she can afford to make rather than ceasing to make payments altogether." Harak also addresses the benefits to regulators, "It is in the state's interest to have fewer utility terminations. Beside the direct benefit of avoiding disconnection for some of its citizens, an AMP also helps the state avoid the indirect costs of utility terminations, increased fires as residents turn to other forms of heat, increased Medicaid expenses as disconnected customers become ill, and increased costs due to higher numbers of homeless and decreased school attendance."

In addition, in December of 2015 and February of 2016, I authored a two-part series article in Electric Light and Power magazine on the benefits of arrearage forgiveness programs. These articles, included in Attachment-PMC-7 (Perm) - Electric Light and Power Articles on Arrearage Forgiveness, provide a roadmap to successful arrearage forgiveness program implementation.

Q. What is the Company's proposed eligibility criteria for the New Start Program?

A. The Company proposes the following eligibility criteria for New Start in New Hampshire:

(1) Must be an active residential customer;

(2) The account balance is >$300 and at least 60 days overdue; and

(3) The household income meets the eligibility criteria for New Hampshire Low Income Home Energy Assistance Program (LIHEAP) assistance (established at 60% of the State Median Income (SMI).[11]

The customer would follow the Company's current process for hardship protection certification to meet the requirements of item 3 above. The eligibility criteria above are similar to the Company's New Start Programs in the service territories of its affiliates.

VIII. NEW START PROGRAM DESIGN

Q. Please describe how the New Start Program would work.

A. The New Start program has a standard design. The Company reviews a customer's account history and sets a monthly budget payment based on the average of the customer's regular monthly bill over the prior 12 months. This monthly budget amount replaces the customer's regular monthly bill and participants are obligated to pay the monthly budget amount on-time each month over the 12-month term of the program. When a monthly budget payment is made, one-twelfth of the customer's past due balance is eliminated, or forgiven. The amount forgiven each month is calculated by taking the total account balance at the time of enrollment and dividing it by 12. If the customer continues to make their New Start payments, their utility service will not be disconnected for non-payment of the arrearage. A

[11] https://www.nh.gov/osi/energy/programs/fuel-assistance/eligibility.htm

customer will be removed from the program after missing two consecutive monthly budget payments. Participants removed from the program once are required to make up two missed monthly budget payments to re-enroll in the program. For example, if the customer missed their February and March payments, they would need to make those two payments up to re-enroll in the program. Customers removed from the program a second time are required to make up all missed monthly budget payments to be re-enrolled in the New Start program. For example, if the customer missed four monthly payments of $100, they would need to pay $400 to re-enroll on the program. The Company also proposes a 12 month "stay out" period for customers that complete the New Start program. In other words, if they complete the program in December of 2019, the customer will not be able to participate in the program again until 13 months later, or January of 2021.

Q. What procedures will the Company use to verify a participant's income or medical illness to allow the customer to qualify for the New Start program?

A. As noted previously, the Company will follow its existing process for certifying customers with financial hardship. This process involves the customer showing proof of their income to a third party, usually a local community action agency.

Q. How many customers does the Company anticipate will participate in the New Start program should it be approved and implemented?

A. Due to their comparable size, the Company believes that participation rates will be akin those in its western Massachusetts affiliate's service territory. In 2018, 3,153 customers participated in the program and $1.6 million in delinquent balances were forgiven. Without New Start, these customers would have experienced possible disconnection and mounting arrearage balances, including the levying of reconnection fees.

Q. How does the New Start Program help eligible residential customers?

A. The Company has only offered the New Start program to customers demonstrating a clear financial need. Customers that do not meet financial hardship qualification for the program are able to enroll in budget billing or an affordable payment plan. Benefits for hardship customers include: protection from disconnection during program participation; learning consistent payment habits; and access to other financial assistance resources and programs that the customer may not otherwise be aware. New Start can serve as a second chance for our most vulnerable population of customers.

Q. What are completion rates for the New Start program in other Eversource service territories?

A. Historic completion rates for New Start in Connecticut and Massachusetts are approximately 20 percent. One major factor that inhibits growth in the program completion rate is the imposition of state-mandated winter moratorium periods, where eligible residential customers are protected from disconnection regardless of whether they participate in New Start. For Connecticut, that period is November 1 to May 1. For Massachusetts it is November 15 to April 1. In New Hampshire, it is November 15 to March 31. The New Start program is a 12-month program.

Since no payment is required in Connecticut and Massachusetts for customers protected during the Winter Moratorium Period, customer participation in New Start tends to fall off during that time.

Q. In light of the impact of the Winter Protection Period, why does the Company believe that the New Start Program is still worth pursuing?

A. New Start provides customers who are struggling financially with an alternative to disconnection. The Company contends that any payment made by the customer in the program helps the customer meet their goal of reducing their past due balance. Absent the mandated winter moratorium period, the Company believes that completion rates for the New Start program would be much higher. Nevertheless, by participating, even if they do not complete the program, the customer is learning better payment habits while maintaining their service.

Q. How does the New Start program help the Company?

The New Start program provides the Company with an alternative to disconnecting hardship customers. The regulations allow the Company to disconnect hardship customers outside of the winter protection period, but with New Start the customer can take steps toward reducing their arrearage while keeping their power on. The New Start program will not be a substitute for any current consumer rules and regulations, but rather another tool to assist our most vulnerable customers. In addition, if, as the Company estimates, 3,000 customers participated in the program, reconnect fees between $96,000 (normal business hours) and $210,000 (after hours) could be avoided.

Q. Does the New Start program obviate the Company's obligation to collect from its delinquent customers?

A. No. The Company has an obligation to collect on delinquent customer balances. The New Start program provides an alternative to disconnection and is targeted to customers who have a demonstrated financial need and are struggling to pay their bills. The program also teaches customers how to make consistent payments based on their limited income by incentivizing the customer to pay their bill. Similar to how the tiered discount rate for limited income customers is a socialized cost, implementing New Start will provide another tool in the toolbox to assist customers in need. Without New Start, the Company will continue to disconnect limited income customers outside of the Winter Protection Period.

IX. NEW START OUTREACH AND EDUCATION

Q. How will the Company promote the New Start Program?

A. The Company proposes to: (1) include an annual insert in residential customers' bills on the New Start program; (2) offer New Start to eligible residential customers who contact the Company about their past due balance; and (3) allow customer self-service enrollment in New Start via our recently launched online Payment Plan Portal. In addition, the Company would seek to partner with Community Action Agencies throughout the State to promote the program in the community and in particular to customers on the low-income discount rate and who receive energy assistance. The Company proposes to seek recovery of the annual New Start insert mailed to residential customers, which is estimated to be approximately $10,000 annually.

X. NEW START IMPLEMENTATION COSTS

Q. Will the Company need to make changes to its computer systems to implement the New Start program?

A. Yes. Changes to the Company's C2 system will be required to implement the program. The Company estimates that it will cost approximately $1.7 million to implement the program for New Hampshire customers, including reprogramming and testing our C2 System, and its back-office processes and web interfaces (e.g., Payment Plan Portal). The Company proposes to seek recovery of programming costs related to system design, testing and implementation of the New Start program.

Q. Does the Company propose a rate recovery mechanism for the New Start program?

A. Yes. The revenue requirement impact and the corresponding rate recovery mechanism is described in the joint testimony of Mr. Chung and Mr. Dixon.

XI. AMR DEPLOYMENT

Q. Has the Company deployed new metering technology since the last distribution rate case in 2009?

A. Yes. At the time of the last rate case in 2009 and through the merger in 2012, PSNH was utilizing a metering technology that required manual processes to read and interact with the meter. The meters recorded only the total energy consumption at the customer's location. The data recorded for total energy consumption could only be obtained by a meter reader physically dispatched to read the meter at each location. The meter reader would record consumption data at each customer location and then would enter collected readings into the Company's data-management system. By 2013, PSNH's meter readers were manually reading over 500,000 meters each month. PSNH employed 86 full-time equivalents, plus 15 working supervisors to conduct these operations. In addition to meter reading, these employees would perform collections, meter change-outs, field meter tests, off-cycle meter orders and other various activities.

In 2012, the Company began to analyze options to transition away from this outdated technology to improve efficiency and reduce operating cost. To inform the decision, the Company developed a comprehensive business case analysis, considering the costs and benefits, as well as qualitative factors, associated with the available technologies. In 2012, the available technologies included an AMR system or full deployment of an automated meter information ("AMI") system. Specifically, the options reviewed were: (1) AMR with a drive-by data-collection system; (2) an AMR to AMI "bridge" meter system and (3) a full deployment of AMI with a two-way communications network to all customer meters.

Q. What was the conclusion of the Company's business-case analysis?

A. The Company's business-case analysis identified the first option, i.e., AMR with a drive-by data-collection system, as the best option based on information available at the time regarding cost, functionality and ease of integration with existing systems. The Company's guiding principle in making these types of investments is to adopt technologies that enable the Company to perform work more efficiently, more accurately and at the lowest cost balanced with safety and reliability.

The business-case analysis indicated that, once completed, PSNH would realize operational efficiencies and associated reductions in operating and maintenance ("O&M"), estimated at approximately $6 million per year, constituting a substantial upgrade in service for customers. At the time, the Company had 24 vacant meter-reading positions filled with temporary personnel. As a result, there was a unique opportunity to implement the operational change and achieve savings without negative impact to employees. Elimination of the physical meter reading operations also would improve employee safety by reducing exposure to accidents occurring from time to time in the field. Lastly, customers would experience constant or improved service at lower cost, making this decision a very important opportunity to benefit customers.

In the final analysis, the Company's analysis showed that the AMR solution had the potential to deliver the highest level of O&M savings of the options under consideration. Accordingly, the Company decided to adopt the AMR technology.

Q. How does the AMR solution work from an operational perspective?

A. AMR technology captures electric usage every month remotely, safely and accurately via wireless radio signals. AMR meters use low-energy wireless signals to capture monthly electricity usage information, forwarding the data electronically to internal computer systems to develop a monthly bill. Meters are read remotely via specially equipped vehicles or handheld devices. The AMR meter provides the same way one-way communication of a customer's data as a traditional electric meter. The energy usage information transmitted wirelessly from the AMR meter to PSNH's collection devices employ technology standards that comply with federal data privacy guidelines and regulations. AMR meters operate at energy levels that are 1/10th of the "Maximum Permissible Exposure Levels" as defined by the Federal Communications Commission. The brief wireless signals emitted from AMR meters have a much lower power density than the RF emissions that come from the home or cell phone, as well as many everyday appliances, including microwave ovens.

Q. What was the basis for the Company's decision to reject the AMI option?

A. The Company's business-case analysis and business judgment showed that AMI was not a good choice for customers for several reasons. In short, AMI is a two-way communication system that requires the design, development and deployment of the complex communications networks and upgrades to the billing, data management and other system interfaces necessary to deploy this technology.

Moreover, implementing AMI requires significant investment to relating to the conversion and build-out of large-scale information systems that are needed to securely store and utilize vast magnitude of customer data points collected by the system. As a result, AMI represented a far more expensive option relative to AMR.

In this regard, the Company considered that the New Hampshire legislature passed a law in 2012 requiring utilities that install "Smart Meters" to first obtain the customer's permission before installing such meters.[12] This law presented a significant barrier to AMI deployment because the high costs of this technology scale exponentially as the number of installed AMI meters is reduced. Unless a significant number of PSNH customers are included in the population of customers using AMI, a large-scale scale AMI deployment becomes even less cost effective.

The AMI option also raised customer data privacy and cyber-security concerns. For some customers, AMI may be viewed as an invasive data capture of customer behavior. Therefore, it was incumbent upon the Company to consider customer concerns about how the collected data could be used. Also, the Company considered the potential cyber-security risks associated with additional access points to Company systems created by AMI meters and the attendant communications infrastructure.

12 RSA 374:62.

On the whole, the AMI alternative available in 2013 was less practical, less proven and much more expensive than AMR. An AMI investment in New Hampshire would be appreciably more expensive compared to other regions due to the terrain being mountainous, rural and consisting of granite ledge. Thus, in order for AMI to work in New Hampshire, PSNH will need to build out a communication system that will be relatively higher cost than in other jurisdictions given the need to also implement other related systems. Conversely, the AMR option deployed by the Company in 2013 was a solution that was fully and substantially cost justified as a basis for transitioning away from manual meter reading.

Q. What was the economic basis for the selection of AMR?

A. Implementation of the AMR system involved quantifiable costs and benefits. Specifically, the Company estimated a total capital cost of approximately $40 million covering the cost of the meters, meter installation, testing and project management among other costs. In terms of reduced operating expense, the Company anticipated that costs would be eliminated for manual meter-reading salaries, benefits and overheads—including vehicles. The estimated O&M savings associated with the AMR deployment were approximately $6 million annually, indicating a program payback of just over six years.

Q. What was the impact to employees that were performing the manual functions associated with the legacy meter system?

A. The transition to the improved technology approach involved the repositioning of 49 existing employees. All of these employees were reassigned within the Company or voluntarily exited the Company through transfers, retirements, and other options. Several New Hampshire meter readers and foremen transferred within the Company to other positions even before the transition was complete. Accordingly, the Company was able to minimize employee impacts.

Q. Is the Company requesting special ratemaking treatment of the unamortized plant balance of the meters that were replaced with AMR in the cost of service in this case?

A. No. Mr. Chung and Mr. Dixon are responsible for matters relating to the cost of service. However, the Company is not requesting that the Commission take any special steps to provide for recovery of the remaining meter cost. The old meter system was retired following generally accepted accounting principles for the retirement of group assets, as is the practice with other devices and equipment with relatively low cost (poles, transformers and meters).

XII. CONCLUSION

Q. Does this conclude your testimony?

A. Yes, it does.

REDACTED

H.O. ___________

AMENDMENT NO. 1 TO THE SPEEDPAY MASTER SERVICES AGREEMENT

THIS AMENDMENT NO. 1 (**"Amendment No. 1"**), entered into and effective as of the last signature date indicated below (**"Amendment Effective Date"**), modifies SPEEDPAY MASTER SERVICES AGREEMENT, dated September 6, 2016, as amended, modified and supplemented from time to time, the (**"Agreement"**), between EVERSOURCE ENERGY SERVICE COMPANY, for itself and as agent for its Approved Affiliates (**"Client"**) and SPEEDPAY, INC (**"SPI"**). All capitalized terms not defined herein shall have the same meaning as ascribed to such terms in the Agreement.

WHEREAS, SPI and Client desire to amend the Agreement to include the agreed upon changes set forth below for the addition of a Client Fee payment option for Client so that instead of certain Convenience Fees charged to Customers for Customer Payments for residential utility services, Client pays Client Fees for those Customer Payments pursuant to Subsection B of Section 5 of Schedule A of the Agreement;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is hereby agreed as follows:

1. Section 1 of the Agreement is hereby deleted in its entirety and replaced with the following:

   "1. __Service__. SPI and the **"Designated Processor"** identified on Exhibit 1, will provide the Western Union Speedpay payment service to Client (the "**Service**") as described in Schedule A. The parties shall perform and comply with their respective responsibilities set forth in Schedule A. In addition to Eversource Energy Service Company (**"Eversource"**), the Service will be provided to those affiliates of Eversource that: (i) meet SPI's Service requirements and (ii) are specifically accepted and approved in writing by SPI as an additional party to the Agreement (with each approved entity to be added as an **"Approved Affiliate"**). The initial list of Approved Affiliates is set forth on Exhibit 4. Client agrees to provide such reasonable information and documentation regarding each entity it wishes to add as an Approved Affiliate, as SPI may reasonably request. Each Approved Affiliate shall be a party to the Agreement. Eversource, for itself and as agent for all Approved Affiliates shall be considered **"Client"** as set forth and described in the Agreement. Eversource represents and warrants that it has the authority to execute this Agreement and amendments, addenda, and exhibits to the Agreement as agent on behalf of each Approved Affiliate."

2. Section 4 of the Agreement, entitled Payments and Billing is hereby revised to add Section C below:

   "4. C. After the Client-Fee Conversion, as defined in Section 10 (B), is implemented for an Approved Affiliate, then the Client-Fee Pricing Matrix structure set forth in Section 5 of Schedule A of the Agreement shall apply for that Approved Affiliate. In the event that the Average Customer Payment amount exceeds $289.99 or the Pure Credit Card Percentage exceeds 54.99%, and therefore falls outside of the Client-Fee Pricing Matrix, subject to timely submission by Client of such adjustment for any required regulatory review or approval, SPI may adjust the Client Fee upon not less than sixty (60) days' written notice (**"Fee Notice"**); provided, however, if Client objects to the adjustment set forth in the Fee Notice within thirty (30) days of the issuance of the Fee Notice (**"Fee Objection"**), the Parties shall negotiate for a period of no longer than thirty (30) days, in good faith, a mutually-agreeable modification to the Client Fee. If (a) no mutually-agreeable modification to the Client Fee is reached within thirty (30) days of the Issuance of the Fee Objection, or (b) if the applicable regulatory review and approval of the mutually-agreeable modification to the Client Fee is not obtained within thirty (30) days after timely submission to the regulator, then the Client Fee adjustment shall not be implemented and SPI may terminate the Agreement upon ninety (90) days' written notice, provided however, in either case, that if SPI Client requires a longer period to transition the Services, upon Client's receipt of a termination notice from SPI, the Client Fee may be adjusted by SPI and applied for the remaining transition period."

REDACTED

H.O. __________

3. Section 7 of the Agreement, entitled Compliance with Laws, is hereby revised to add the following to the end of Section 7:

"At any time during the term of the Agreement, if an issue arises regarding the compliance of the terms of the Agreement with any of the foregoing, the Parties together shall take appropriate measures to seek to address and resolve such compliance issue, which may include a mutually-agreed upon amendment to the Agreement."

4. Section 10 of the Agreement, entitled Term and Termination is hereby deleted in its entirety and replaced with the following:

"10. Term and Termination.

A. Subject to any termination rights set forth in the Agreement, and the extension contemplated in Section 10 B, the term of this Agreement shall be for a period of three (3) years from the Effective Date (the "**Initial Term**") and thereafter shall automatically renew for successive one-year terms (each a "**Renewal Term**").

B. In the event that Client receives regulatory approval for Client, or any Approved Affiliate, to change current Convenience Fee arrangements so that instead of certain Convenience Fees charged to Customers for Customer Payments for residential utility services ("**Residential Utility Services**"), Client pays Client Fees for those Customer Payments pursuant to Subsection B of Section 5 of Schedule A of the Agreement ("**Client Fee Conversion**"), then the Initial Term of this Agreement shall be extended for a period of five (5) years from the date that the Client (or any Approved Affiliate) has the Client Fee implemented into the Service. Thereafter, the term of the Agreement shall automatically renew for successive one-year Renewal Terms unless terminated pursuant to Section 10 (C) below.

C. Either party may terminate this Agreement for material breach if such breach is not cured upon thirty (30) days' notice. Each Party shall give the other party written notice, no less than 180 days prior to the expiration of the Initial Term, or any Renewal Term, of that Party's intent not to renew the Agreement for a Renewal Term. Notwithstanding any other provision of this Agreement to the contrary SPI or Client may immediately terminate this Agreement in the event that the terminating party determines, in its reasonable discretion, that compliance with this Agreement would cause the terminating party or any of its affiliates to violate or potentially violate any local, state or federal law or regulation or any court order, or any compliance policy of the terminating party or any of its affiliates and the parties are unable to mutually agree to revise the Agreement so that the Agreement is compliant with the foregoing requirements. "

5. In contemplation of the Client-Fee Conversion, the parties desire to amend Section 5 of Schedule A of the Agreement. Upon receipt of applicable regulatory approvals for the Client-Fee Conversion, Client shall notify SPI of such approval(s) and, the proposed effective date that Client desires to move forward with the Client Fee Conversion for Client (or any specified Approved Affiliate). The Parties shall work in good faith to implement the Client Fee Conversion for the specified Approved Affiliate in accordance with a statement of work that includes a Business Requirements Document ("**BRD**") that shall be mutually agreed to by the parties. Accordingly, the first sentence of Section 5 of Schedule A to the Agreement is deleted in its entirety and replaced with the following paragraph A, and paragraph B, as set forth below, is hereby added to Section 5:

"5) **Customer Payments and Fees.**

A. For each Customer Payment, either: (i) Customers will be assessed a "**Convenience Fee**, or (ii) Client/Approved Affiliate will pay a "**Client Fee.**" Initially, all Customers of Client and all Approved Affiliates will be assessed a Convenience Fee for each Customer Payment in accordance with this Section 5.

REDACTED

H.O. ____________

B. In order to complete the Client-Fee Conversion, the parties shall execute a mutually-agreed-upon BRD for each Client and/or Approved Affiliate that will shall undertake the Client-Fee-Conversion Client Fees Upon the implementation of each BRD for each Approved Affiliate's Client Fee Conversion, each Customer Payment for Residential Utility Services conducted for Client, or Approved Affiliate, shall be subject to a Client Fee paid by Client/Approved Affiliate.

i. Client Fees shall apply only to Customer Payments for Residential Utility Services. Customer Payments for Non-Residential Utility Services shall continue to be subject to a Convenience Fee. Client shall identify whether a Customer receives "**Residential**" utility services or "**Non-Residential**" utility services.

ii. Based upon the estimated Average Customer Payment Amount and Pure Credit Card Percentage set forth in the Client-Fee Pricing Matrix, the initial amount of the Client Fee shall be [redacted] per Customer Payment.

iii. For each calendar month, SPI shall invoice Client for the applicable Client Fees, and Client shall pay such invoice within thirty (30) days of invoice receipt.

iv. Each calendar quarter, SPI may adjust the amount of the Client Fee applicable to future Customer Payments pursuant to the "**Client-Fee Pricing Matrix**" set forth below and Client's actual experience of Average Customer Payment Amount and Pure Credit Card Percentage.

v. The maximum payment amount per Customer Payment for Residential Utility Services shall be $600.

vi. Customers shall not make more than five (5) On-line PIN-less Debit or Speedpay Card Customer Payments per Customer account for Residential Utility Services in a thirty (30) day period.

vii. "**Average Customer Payment Amount**" shall be computed as the mathematical mean of the dollar amount all Customer Payments conducted in an identified period.

viii. "**Pure Credit Card Percentage**" shall be computed as a percentage as the number of Customer Payments conducted as Pure Credit Card divided by the total number of Customer Payments conducted in an identified period.

Client Fee Pricing Matrix:				
	Pure Credit Card Percentage			
Average Customer Payment Amount	0- 24.99%	25% - 34.99%	35%-44.99%	45% - 54.99%
$0 to $167.99	[redacted]			
$168.00 to $200.99				
$201 to $240.99				
$241 to $289.99				

For example: if, for a calendar quarter, the Pure Credit Card Percentage is 42.62% and the Average Payment Amount is $255.68, then the Client Fee shall be adjusted to [redacted] In the event that the Average Customer Payment amount exceeds $289.99 or the Pure Credit Card Percentage exceeds 54.99%, and SPI

REDACTED

H.O. ____________

desires to adjust the Client Fee, the parties shall comply with the procedures set forth in Section 4 C of the Agreement."

5. Section 6 of Schedule A to the Agreement is hereby amended to add the following to the beginning of the section:

> "Prior to the Client-Fee Conversion, Customers making Customer Payments for Residential and Non-Residential Utility Services may make Speedpay Credit Card Customer Payments using a Visa, MasterCard or Discover Card, or American Express. After the Client Fee Conversion, Client will not accept American Express for Customer Payments for Residential Utility Services but Client will continue to accept AmEx for Customer Payments for Non-Residential Utility Services."

6. Except as modified and amended herein, the terms and conditions of the Agreement continue to be binding upon the parties. In the event of any inconsistency between the terms of this Amendment No. 1 and the terms of the Agreement, the terms of this Amendment No. 1 shall control.

IN WITNESS WHEREOF, this Amendment No. 1 has been duly executed by authorized representatives of the parties hereto effective as of the Amendment Effective Date.

EVERSOURCE ENERGY SERVICE COMPANY		SPEEDPAY, INC.	
By:	[signature] *(signature required)*	By:	[signature] *(signature required)*
Name:	Brian Beckwith *(print name)*	Name:	Ramone J. Acocella *(print name)*
Title:	IT Category Lead Procurement	Title:	VP Operations
Date:	12-16-16	Date:	12/16/16

REDACTED

H.O. ____________

Exhibit 4
Approved Affiliates

The Approved Affiliates listed below are subject to the due diligence and approval process set forth in Section 1 of the Agreement.

[TO BE DETERMINED]

Credit Card and Debit Card Services

Request for Proposal

August 24, 2016

PLEASE NOTE: This request for proposal is not a guarantee of any work, authorization to commit Contractor's resources or a commitment for future bid solicitations on this, or any other work. The response shall include a separate section sequentially addressing exceptions taken to the Utilitiy's documents and alternative language for consideration.

Table of Contents

1. Requestor Information

1.1. Name and Address of Requestor

Eversource Energy Service Company ("Eversource" or "Utility")

Purchasing Department

South Building

107 Selden Street

Berlin, CT 06037

1.2. Schedule

Issuance of RFP	August 24, 2016 Wednesday
Deadline for RFP Participant Questions	September 7, 2016 Wednesday – noon EST
Utility Response to Question	September 12, 2016 Monday
Proposal Due Date	September 19, 2016 Monday
Evaluation of Proposals	Approximately three (3) Weeks
Reference Calls/Presentations	To Be Determined

2. Instructions to RFP Participants

2.1. RFP Participant Submittals

All submittals must be completed and posted via Ariba sourcing software.

2.2. RFP Participant Inquiries

Questions should be documented via the Ariba sourcing software.

2.3. Third Party Integration

RFP Participants should submit information about products, from other vendors, which form an integral part of their solution if applicable.

2.4. Expense and Obligations

RFP Participants are responsible for all costs of response preparation. Utility is not liable for any cost incurred by the vendor in response to this RFP.

2.5. Response Format and Organization

To expedite the review process, all respondents must conform to the following format outline. Any additional information that you believe to be necessary should be included as appendices to the RFP response. These appendices should be appropriately labeled and referenced in the body of the response. This section outlines the requirements your organization is requested to address in order to comply with this RFP. It is important proposal responses follow the format presented here.

Using the embedded Microsoft Word file "2016_Utility_RFP_Question_Response_Template_v4.docx" attached to the RFP, respond to each requirement listed in the following sections, following the numbering system used. Return this completed document as a separate MS Word attachment file within your proposal response.

2016_Utility_RFP_Qu
estion_Response_Te

2.5.1. Company Profile

Using the Microsoft Word file “2016_UtilityRFPCompanyProfile.docx” attached to this RFP, respond to each requirement listed. In ten (10) pages or less, provide the requested general information about your company.

2016_UtilityRFPCompanyProfile.docx

2.5.2 Executive Summary

This section should include a brief but comprehensive executive summary of how your proposed solution will address the requirements of this proposal and estimated dates. In addition, Vendors should explain why their proposed systems solution should be selected over competitive suppliers. If the system is comprised of multiple components, briefly describe the major applications.

2.5.3 Response Sections

This section should include the responses to all questions in Sections 4 through 12 of the RFP. ***Please use our embedded Microsoft Word file “2016_Utility_RFP_Question_Response_Template_v4.docx” when responding.***

All proposals must be received by the September 19, 2016 closing date at 1:00pm. All proposals must be electronic files, submitted using Ariba. Proposals must be organized and indexed in the format identified herein in Section 2.5 *Response Format and Organization*. Each section must contain all items in the sequence identified. An authorized official must sign the proposal. The proposal must also provide the names, titles, phone numbers, and email addresses of those individuals with authority to negotiate and contractually bind the company. We may use this information to obtain clarification of information provided. Responses files shall be submitted using an 8 ½” by 11” format (MS Word). All pages shall be numbered. The RFP shall **not** include any marketing brochures. Incomplete RFPs may disqualify the RFP Participant from consideration.

2.5.4 Validity of Proposal

This section should specify the period during which the proposal is valid, signed by a duly appointed corporate officer binding the supplier to the provisions of the proposal. This period shall not be less than 24 months from receipt of the proposal.

If a respondent specifies that proprietary information is in their information packet, Utility will take all reasonable steps to prevent disclosure of this information to others. IF PROPRIETARY INFORMATION IS NOT SPECIFICALLY MARKED BY THE RESPONDENT AS “PROPRIETARY INFORMATION”, THEN Utility IS NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE TO THE RESPONDENT CAUSED BY ANY DISCLOSURE OF SUCH INFORMATION BY Utility, ITS AFFILIATES AND EACH OF THEIR OFFICERS, DIRECTORS, SHAREHOLDERS, TRUSTEES, EMPLOYEES, ATTORNEYS AND AGENTS..

2.6. Evaluation of RFP

Utility is under no obligation to act upon any and all responses to this RFP for any, or for no reason. If regulatory approval is not obtained, Eversource may elect not to proceed with an award.

3. General Information

3.1. Purpose of this RFP

The purpose of this RFP is to solicit proposals for a five (5) year credit card and debit card (collectively "credit card") **free fee service**, which will be made first available to Massachusetts's and potentially to Connecticut customers dependent upon regulatory approval. Utility's corporate affiliates not on the free fee credit card model will be provided with a convenience fee model. Proposals should provide Utility with the option to have its own customer service representatives have access to a payment portal for use during regular business hours. Refer to Exhibit 1 for Utility volumes and additional insights as to Utility customer payment types and card utilization.

The service Utility is seeking to secure is credit card transaction processing coupled with Web and IVR hosting of this service to provide access for each corporate affiliate's customers. In the past, Utility provided these services, to customers, via a third-party vendor and customers using the service absorbed all processing related fees (convenience fees) related to their transaction. Utility is considering absorbing the costs of credit card processing for Massachusetts and potentially Connecticut pending regulatory approval. Therefore, Utility is seeking the most cost effective offering for their business. However, please note, affiliates in Connecticut and Massachusetts will continue to provide to commercial customers credit card services using the current customer absorbed (convenience fee) cost model.

All proposals must be compliant with current banking regulations as well as any pertinent operating requirements established by VISA, MasterCard and other credit card companies. Representatives should be able to upload credit card data and review any pending transactions.

Out of Scope – All ACH / EFT and eBilling services

3.2. Eversource Profile

Eversource Energy (NYSE: ES), ("Eversource" or "Utility") a Fortune 500 and Standard and Poor's 500 energy company based in Connecticut, Massachusetts and New Hampshire, operates New England's largest energy delivery system. Eversource is committed to safety, reliability, environmental leadership and stewardship and expanding energy options for its 3.6 million electricity and natural gas customers. Eversource's regulated operating subsidiaries include Connecticut Electric, Eastern Mass Electric, Western Massachusetts Electric, Connecticut Gas Massachusetts Gas, and New Hampshire Electric.

Massachusetts law enacted in 2012 requires electric distribution companies to file for a rate case at least every five years. Eversource will comply with this law by filing dual rate cases in 2017 for Massachusetts Electric. Eversource will also consider including a credit card model for a potential rate case for Connecticut Electric in 2017. Eversource anticipates submitting a single set of testimony and supporting analysis by an economic/ratemaking expert supporting an overarching incentive or performance-based ratemaking plan.

3.3 Project Background & Overview of Utility's Credit Card and Debit Card Request for Service

Utility is seeking a five year free fee credit card hosting service for Massachusetts and potentially Connecticut and a convenience fee service for commercial customers for Connecticut and Massachusetts, featuring a maximum payment of $600 for residential and $1500 for non-residential/commercial customers, five (5) times in a thirty (30) day period as an additional payment option available starting August 2018 for the utility customers of the following corporate affiliates: Eversource Massachusetts Electric & Gas residential and Connecticut Electric and Gas residential with a matrix of options to expand services to other affiliates. Utility would enter into the contract for the above-mentioned services, acting in its capacity as the duly authorized contracting agent for

Eversource Massachusetts Electric & Gas and Connecticut Electric and Gas. The payment options may be supported as utility funded or consumer funded subject to regulatory approvals. Utility's primary objective is to provide convenient and secure payment options for our customers' use while minimizing the costs associated with processing and administering credit card and debit card services.

3.4 Penetration Rate and Assumed Risk

In order to support inclusion of these costs into the base rate, proposals must include vendor's assessment of card utilization / penetration rates over the term of the contract and also must include Utility cost caps with the proposed fee structure. Utility shall not pay any additional fees should the actual penetration rate exceeded the then applicable mutually agreed upon penetration rate resulting in incurred fees exceeding the agreed upon cap. Bidders shall provide a fixed fee for the five (5) year term.

4. General Information – RFP Participant

Please provide the following information about your Company:

1. Identify all parties included in this proposal (i.e., Merchant Processor, and Acquirer) with whom Utility would enter into a contract. Identify each party's Parent Company.
2. Where are your headquarters?
3. List the number of years in the business as a credit card service provider.
4. Provide financial data, including but not limited to your Annual Report, SEC 10K Report, and financial statements, which will enable Utility to evaluate the financial statue and stability of your company.
5. Describe your organizational structure: number of employees in the credit card and debit card business units (field, staff, data processing, customer service, IT support.).
6. List the credit card networks (i.e., Cirrus), and credit cards supported (i.e., MasterCard, VISA, American Express, Discover), the debit card supported and debit card networks accessed (i.e., NYCE).
7. List all the networks with whom you have agreements that are used to access cards and or bank accounts. Please explain these relationships and the relationships between all parties included in this proposal.
8. List all utility, separate regulated utilities from non-regulated utilities, and non-utility clients from utility using your service showing service used (i.e. credit card and/or debit card.) Indicate whether the client uses your products as client funded or consumer funded and include the period of time your service has been used by each client. Indicate which client's can be called on as references.
9. List other products/services offered besides credit cards and debit cards.
10. What differentiates your product(s) from others in the marketplace?
11. To the fullest extent possible describe any pertinent legal litigation involving your company that would impact your company's ability to provide the system or requested services to Utility.
12. Describe whether you are compliant with all applicable Sarbane Oxley requirements and please provide documentation or descriptions of your internal protocols, procedures and corporate guidelines, which were developed to ensure your compliance with applicable Sarbanes Oxley requirements.
13. Does your proposed solution include a feature to store multiple payment cards for future use for all the Billing Accounts associated with the same Web ID

5. System Information / System Requirements

Exhibit 3, *Utility Business and Functional Requirements* shall be incorporated herein by reference. Within your proposal response please provide information and explanations regarding your service capabilities to meet or exceed the requirements specified within Exhibit 3.

6. Contractual Agreements

Please respond to the following issues regarding contractual agreements:

1. Indicate your willingness to provide Utility's internal and/or external auditors' access to appropriate information in order to conduct independent audits periodically of you and your agents as well as each vendor identified in your proposal with whom Utility would enter into a contract.
2. In addition to providing Utility with your proposed form of Contract, please indicate whether you are proposing one or more alternatives for any provisions in these Contracts so that Utility can choose among alternate Contract provisions.
3. Your proposed form of Contract should clearly state that (i) the risk of loss associated with all customer payments processed by you and your agents under the Contract shall remain with you until such time as such payments are credited to Utility's banking account(s); and (ii) that you will indemnify, defend and hold harmless Utility, its affiliates and their officers, directors, shareholders, employees and agents from any customer payments that are not timely credited to Utility's banking account(s).
4. With respect to the customer payments that will be processed in accordance with the Contract, please identify what protections you have in place to mitigate the risk of fraud, embezzlement, diversion of funds or other similar activities by your employees and agents.

7. Confidentiality and Security of Customer Personal Information

Please provide the following information:

1. Explain the mechanisms, procedures and technologies that you have in place to safeguard the confidentiality of the data, computer files and documents containing personal customer information which you may have access to.
2. Indicate your willingness to keep confidential any customer personal information you receive in the course of performing any work contemplated by the scope of the Request for Proposals, and to utilize data security systems approved by Utility, and compliant with Utility's data security requirements, and all applicable laws and regulations in all jurisdictions in which Utility, on behalf of its utility affiliates, operates.
3. Review and complete the DDQ Security Questionnaire. Utility has a separate set of cyber security standards attached to this RFP in the form of an embedded file Eversource_DDQ_v.2.doc, which contains Utility's "IT Security Due Diligence Questionnaire", found below. Return this completed document as a separate MS Word attachment file (include name of your firm in the file name i.e. XYZ_Corp_Security_Questionnaire) within your proposal response, along with any supporting documentation you may have (i.e., SAS-70 Type II, PCI Compliance statement, or other third party attestation of your security standards).

Eversource_DDQ_v.
2.doc

8.0 Banking Information

Please provide the following banking information:

1. Indicate the availability of funds to Utility (for credit cards and debit cards) once collected and deposited. Please specify all options available. Also, what is the earliest availability of funds for Saturday and Sunday payments?
2. Explain (as applicable to your proposal) any return processing procedures, timeliness, charge backs, and indicate what banking fees (if any) Utility will be responsible for. Please explain for credit card)
3. Explain your payment/deposit reconciliation procedures and indicate when they are performed and by whom.

9.0 Technical Information

Please describe in good and sufficient detail the scope of work that our Information Technology department will be required to perform in order to implement your particular service. Complete the following Implementation SOW:

Implementation SOW
7-16 BB rev 2.doc

10.0 Support

1. In accordance with Exhibit 2, *Eversource Vendor Test Methodology Requirements*, incorporated herein by reference, describe the implementation plan and define the time and resources (Utility and vendor as described in your response to Section 5.10) necessary to implement the system. This should include any additional custom services.
2. Is there a customer support group within your organization? If yes, how large is the group, where is it located and what are its responsibilities.
3. How do you handle user problems and unique user requests/reports?
4. Do you have a user customer service center? What are the hours of operation? What is the average turn-around for customer service issues? How large and where is the center located?
5. Do you have a service /help line? What hours are it staffed? Is there any additional cost for this service?
6. Describe the means by which your customer service/support help line can be reached (i.e. phone/email)
7. Do you offer on-site support services? Remote diagnostics? What are the costs and/or billing rates for on-site support?

11.0 General Training Requirements

Describe any training services that are required for successful implementation and operation. Indicate how many days of training are required and where you recommend training be done. Does your plan include an on-site follow-up a few weeks after implementation?

12.0 System Costs – Pricing Scenarios

Exhibit 4

Complete the pricing spreadsheet for a 5 year fixed free fee starting August 2018 with a Utility cost cap model credit card offering for:

Massachusetts: a free fee model for residential customers and convenience fee model for commercial customers based upon a maximum payment of $600 for residential and $1500 for non-residential/commercial customers five (5) times in a thirty (30) day period. Also provide a fixed convenience fee for residential and commercial customers in Connecticut and New Hampshire based upon the same parameters listed above.

Massachusetts and Connecticut: a free fee model for residential customers and convenience fee model for commercial customers based upon a maximum payment of $600 for residential and $1500 for non-residential/commercial customers five (5) times in a thirty (30) day period. Also provide a fixed convenience fee for residential and commercial customers in New Hampshire based upon the same parameters listed above.

Specify if implementation costs are included in proposed fees or a separate onetime fee. Provide hourly rates for employees involved in implementation services.

Indicate if pricing is inclusive of supplier provided customer support – (e.g. IVR press 3 to speak with a rep.)

Also describe your proposal in terms of providing Utility with a Utility Rate. Include all requirements in detail for Utility to qualify for and maintain a Utility Rate structure.

Price Sheet Credit Card.xlsx

Exhibit 1
Volumes

Operating Company Ledger: CTE=CT Electric, CTG=CT Gas, EMA Eastern MA Electric, WMA=Western MA Electric, NH=NH Electric

OPCO	CLASS	# OF ACCTS			
CTE	NON-RES	106,428			
	RES	1,109,117			
CTG	NON-RES	27,324			
	RES	200,506			
EMA	NON-RES	187,098			
	RES	1,269,325	MA Total	NON-RES	205,614
WMA	NON-RES	18,516		RES	1,458,033
	RES	188,708			
NH	NON-RES	70,219			
	RES	428,411			

East Mass

Number of Credit Card Payments Received

REV_CLASS	8-2015	9-2015	10-2015	11-2015	1-2016	12-2015	2-2016	3-2016	4-2016	5-2016	6-2016	7-2016
COM	988	929	939	951	941	997	1,083	1,374	1,153	1,428	1,229	1,168
RES	12,638	13,095	13,978	12,465	11,801	12,014	13,163	16,850	16,389	17,628	17,169	15,244
Grand Total	13,626	14,024	14,917	13,416	12,742	13,011	14,246	18,224	17,542	19,056	18,398	16,412

Total $ Amount of Payments Received

REV_CLASS	8-2015	9-2015	10-2015	11-2015	1-2016	12-2015	2-2016	3-2016	4-2016	5-2016	6-2016	7-2016
COM	$662,921	$597,489	$581,062	$593,475	$544,938	$594,059	$704,828	$852,653	$752,370	$942,875	$772,134	$776,244
RES	$2,897,111	$2,943,293	$2,938,517	$2,280,019	$2,146,539	$2,126,625	$2,726,483	$3,760,305	$3,627,908	$3,615,385	$3,422,704	$2,873,138
Grand Total	$3,560,032	$3,540,782	$3,519,579	$2,873,494	$2,691,477	$2,720,684	$3,431,310	$4,612,957	$4,380,278	$4,558,259	$4,194,838	$3,649,381

Average Payment Amount Received

REV_CLASS	8-2015	9-2015	10-2015	11-2015	1-2016	12-2015	2-2016	3-2016	4-2016	5-2016	6-2016	7-2016
COM	$671	$643	$619	$624	$579	$596	$651	$621	$653	$660	$628	$665
RES	$229	$225	$210	$183	$182	$177	$207	$223	$221	$205	$199	$188
Grand Total	$261	$252	$236	$214	$211	$209	$241	$253	$250	$239	$228	$222

Eversource Energy – Credit Card and Debit Card

Operating Company Ledger: CTE=CT Electric, WMA=Western MA Electric, NH=NH Electric, CTG=CT Gas

		Number of Credit Card Payments Received											
OPCO	REV CLASS	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16
CTE	COM	985	1098	1132	1040	1237	1222	1302	1410	1254	1425	1376	1288
	RES	23967	25158	25025	23039	24632	24257	29006	28800	26600	29150	28953	28481
WMA	COM	149	134	119	102	125	153	135	192	155	156	170	164
	RES	4978	4911	5020	4592	4159	4271	5081	5215	4881	5874	5339	5803
NH	COM	281	304	340	335	402	357	391	420	372	411	407	371
	RES	8234	8529	8977	8064	7374	7612	9224	9018	8995	10511	10828	9895
CTG	COM	482	441	502	481	461	704	549	594	563	569	572	548
	RES	2951	2998	3105	2926	3552	3804	4915	4586	4300	4629	4167	3785

		Total Payment Amount Received											
OPCO	REV CLASS	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16
CTE	COM	$822,746	$1,097,953	$993,205	$880,350	$916,283	$936,390	$1,041,741	$1,287,845	$998,168	$1,154,807	$1,104,372	$1,075,146
	RES	$5,603,042	$6,013,899	$5,650,546	$4,553,020	$4,786,152	$4,687,993	$6,460,102	$6,535,300	$5,822,378	$6,373,282	$5,883,115	$5,848,125
WMA	COM	$88,366	$110,754	$101,193	$80,504	$125,329	$89,208	$155,092	$135,374	$165,546	$176,817	$156,651	$151,818
	RES	$971,096	$942,692	$992,986	$833,775	$698,262	$724,489	$1,007,211	$1,031,563	$945,420	$1,187,617	$948,603	$1,004,846
NH	COM	$149,981	$140,357	$147,439	$129,029	$156,177	$131,778	$167,685	$188,441	$178,147	$186,903	$172,160	$162,659
	RES	$1,552,060	$1,631,543	$1,670,089	$1,340,585	$1,136,517	$1,246,415	$1,772,416	$1,679,515	$1,685,712	$1,901,362	$1,865,139	$1,649,119
CTG	COM	$161,185	$122,447	$189,333	$137,069	$219,962	$331,539	$226,095	$372,841	$245,922	$262,240	$197,568	$166,903
	RES	$356,113	$310,263	$318,328	$291,642	$425,405	$506,095	$815,408	$793,583	$740,268	$768,662	$594,999	$465,844

		Average Payment Amount											
OPCO	REV CLASS	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16
CTE	COM	$835.28	$999.96	$877.39	$846.49	$740.73	$766.28	$800.11	$913.37	$795.99	$810.39	$802.60	$834.74
	RES	$233.78	$239.05	$225.80	$197.62	$194.31	$193.26	$222.72	$226.92	$218.89	$218.64	$203.20	$205.33
WMA	COM	$593.06	$826.52	$850.36	$789.26	$1,002.63	$583.06	$1,148.83	$705.07	$1,068.04	$1,133.44	$921.47	$925.72
	RES	$195.08	$191.96	$197.81	$181.57	$167.89	$169.63	$198.23	$197.81	$193.69	$202.18	$177.67	$173.16
NH	COM	$533.74	$461.70	$433.64	$385.16	$388.50	$369.13	$428.86	$448.67	$478.89	$454.75	$423.00	$438.44
	RES	$188.49	$191.29	$186.04	$166.24	$154.12	$163.74	$192.15	$186.24	$187.41	$180.89	$172.25	$166.66
CTG	COM	$334.41	$277.66	$377.16	$284.97	$477.14	$470.94	$411.83	$627.68	$436.81	$460.88	$345.40	$304.57
	RES	$120.68	$103.49	$102.52	$99.67	$119.77	$133.04	$165.90	$173.04	$172.16	$166.05	$142.79	$123.08

Eversource Energy – Credit Card and Debit Card

Volumes by card type

All of Eversource card payments -

Payment Type	Payment Count	Payment Amount	%Card type
Eversource Grand Totals			
07/01/2015-08/01/2016			
American Express	20,935	$ 6,664,066	2.3%
Discover	3,536	$ 875,065	0.4%
Master Card	286,683	$ 50,174,456	30.8%
Visa	554,982	$ 119,355,751	59.7%
ATM	64,070	$ 10,459,021	6.9%
Total	**930,206**	**$ 187,528,359**	

MA only card payments -

Payment Type	Payment Count	Payment Amount	%Card type
MA Grand Totals			
07/01/2015-08/01/2016			
American Express	20,935	$ 6,664,066	6%
Discover	3,536	$ 875,065	1%
Master Card	83,352	$ 17,967,760	25%
Visa	168,169	$ 36,456,670	49%
ATM	64,070	$ 10,459,021	19%
Total	**340,062**	**$ 72,422,582**	

CT only card payments -

Payment Type	Payment Count	Payment Amount	%Card type
CT Grand Totals			
07/01/2015-08/01/2016			
Master Card	125,033	$ 22,240,732	30%
Visa	290,427	$ 65,241,271	70%
Total	415,460	87,482,003	

Exhibit 2

Eversource Vendor Test Methodology Requirements

The Utility QA & Standards (Testing) Group must be involved in the development and review of the testing components of the mutually agreed upon Statement of Work (SOW).

The vendor is required to follow the Utility Information Technology (IT) Test Methodology in its entirety, including conducting all activities, using all tools and producing all artifacts as prescribed by the process, unless the vendor has applied for and secured an approved variance by the Manager of Standards & QA, in which case the approved variance shall prescribe the test methodology to be used for the specific engagement. The variance is limited to the specific engagement only and cannot be carried forward to other engagements or SOWs.

The vendor is required to perform Unit Testing and Site Integration Testing on the Utility configuration and to support Utility Integration Testing and User Acceptance Testing. The specific requirements for each test phase are listed in the subsections that follow.

Additionally the vendor is required to fulfill the following requirements as part of their response.

- A weekly testing update is required that at a minimum details: a) the health status of the testing; b) the accomplishments since the last report; c) the planned accomplishments for the upcoming reporting period; and d) any issues, risks or concerns.
- A Traceability Matrix must be provided that relates the requirements and specifications of the system to all of the testing that the vendor conducted.
- The number of Defects that are found and the status of each Defect (e.g., remediated, remaining, etc.) up to the point that the system is delivered to Utility.
- Utility reserves the right to review the qualifications of any and all candidates (e.g., for Test Leads, Test Managers, Testers, etc.) that are being proposed by the vendor, and additionally reserves the right to accept or reject any candidate.
- The vendor is required to use the Utility testing tools suite as the repository to upload the requirements and specifications and to contain and manage Test Cases, Test Execution Results and Defects. The only exception to this is where the development and testing is done by the vendor completely internally and is black box to Utility and has no development or testing interaction with Utility other than to turn over the executable module.
- The vendor is required to track testing using the standard Utility testing metrics set.

Vendor Unit Testing

The vendor must perform Unit Test on the Utility configuration at their site and report progress on a weekly basis. The vendor must engage their internal testing resources for this testing. The reporting shall include test coverage metrics and documentation of all defects found. All high and medium severity defects found in unit testing must be fixed without a work-around as an entrance requirement to Site (System) Integration Test.

System Integration Testing

The vendor must perform System Integration Test at Utility facilities using Utility configurations and platforms. The vendor must provide resources on site to execute this testing. The vendor must provide a Test Plan document for Utility to review and approve prior to the commencement of System Integration Test. The Test Plan must include, but is not limited to, the following:

- Entrance Criteria: Utility approval of unit test results. All urgent, high and medium severity defects shall be fixed, retested and closed.
- Requirements regarding Utility environment and support from team members.
- Detailed Test Cases and test procedures including all permutations, combinations and negative scenarios.

- Traceability Matrix of Test Cases to Requirements.
- Weekly meetings to review test coverage and Defects found during Site Integration Test.
- Exit Criteria: Review meeting and acceptance of test results by Utility. Utility shall have the right to require additional testing at no additional cost based on the number of Defects found.

Support during Utility Integration Testing and UAT

- Any and all core product and Utility configuration or customization Defects found by Utility must be fixed in the version release that Utility is implementing; not in a future product release.
- Utility requires the use of ALM/Quality Center v12 (or a later version as specified by Utility) as the test management and defect tracking tool of record. Entering defects into the vendor's defect tracking system is the sole responsibility of the vendor. Utility Quality Center defect numbers must be used for reporting on all status reports and during status and defect meetings.
  - The vendor will adhere to Utility categorization of Defect Severity and Priority as detailed within individual Project Test Strategies and/or Plans.
  - The vendor will be directed by Utility as to the appropriate method and detail level around defect details, handling and related root cause determinations
- Both parties will mutually agree to set the Priority and Severity of defects found during the testing process.
- Vendor participation in all Defect review meetings is required. Priority and Severity dispositions shall be documented at the meetings.
- Release notes and a version control plan are required for all releases prior to production implementation are required

Support during Utility Performance Testing

- The Vendor shall participate in Performance testing with Utility Business, development and/or QA resources.
- The Vendor shall provide Environments and Data considered reasonable to facilitate the testing efforts.

Exhibit 3

Utility Business and Functional Requirements

Please provide the following information and explanations regarding your proposed service.

5.1	**Cardholder Information**. Explain in detail how your company will manage and protect the confidentiality of any information received and/or processed as a result of doing business with Utility. To the extent that Second Party receives any Cardholder Information, Second Party shall maintain all appropriate physical, electronic and procedural safeguards designed to: (a) maintain the security and confidentiality of such Cardholder Information, including without limitation encrypting Cardholder Information in accordance with Credit Card's policies; (b) protect against any anticipated threats or hazards to the security or integrity of such Cardholder Information; and (c) to protect against unauthorized access to or use of such Cardholder Information that could result in substantial harm or inconvenience to the individual(s) to whom such Cardholder Information pertains. If Second Party experiences any unauthorized access to any of its facilities or systems pursuant to which it believes or suspects that one or more third parties may have been able to obtain access to Cardholder Information, Second Party shall immediately notify Utility or any other corresponding credit card institution and (i) provide these designated parties with all available information regarding the nature and scope of such unauthorized access, and (ii) fully cooperate with the handling of such matter, including without limitation any investigation, reporting and other obligations required by applicable law or regulation, or as otherwise required any corresponding credit card institution
	Make a payment (Common Web & IVR)
5.2	Customers will be required to authenticate (account number will be provided) to make a self-service payment absent an API call.
5.3	Customers will have the ability to make one-time self-service Credit Card / Debit Card payment.
5.4	Customers will have the ability to make payment using MasterCard, Visa, Discover and American Express Credit Card / Debit Cards and Debit Cards.
5.5	Customers will have the ability to schedule a future dated Credit Card payment (Debit Card payments cannot be future dated).
5.6	Customers will have the ability to make a current date payment.
5.7	Customers will have the ability to make a partial payment.
5.8	Customers will not be able to make a payment if they have a balance equal to or less than zero.
5.9	Customers will not be able to make a payment for an amount greater than the total account balance.
5.10	Customers will be able to make payment after the payment due date.

Eversource Energy – Credit Card and Debit Card

5.11	Customers will be able to make multiple payments.
5.12	Customers will have the option to save single bank account information (Remember Me capabilities).
5.13	Customers will receive a payment email confirmation (web only).
5.14	Customer Service Representatives have the ability to process Credit Card / Debit Card and Debit Card payment on behalf of the customer.
5.15	Customer Service Representatives will have the ability to block payments at the Utility Account, Credit Card / Debit Card Account, or Debit Card Account level.
5.16	The payment velocity and max payments are expected to be different for residential and commercial customers/payments. Award Recipient is expected to maintain, implement and enforce the rules associated with payment velocity and max payments.
5.17	The proposed solution is expected to publish the pages required for customers to pay by credit card. During the implementation phase of the project, the Utility to Award Recipient launching method will be established. Proposed solution is expected to provide Utility a secure method for allowing any Utility customer to be re-directed from a Utility authored page to an Award Recipient authored page for processing a CC/DC payment.
5.18	Customers will be allowed to pay for a specific billing account via CC or DC. The Utility authenticated Billing account number will be transmitted securely to Award Recipient.
5.19	The proposed solution should allow a CC or DC payment to be initiated by the Award Recipient's platform. In this case Award Recipient will call securely to a Utility provided web service/API. The required data will include the Billing Account number. Utility will securely respond with same data as previously described. Additionally, Utility could respond with Billing Account validation error. If this is the case, Award Recipient should be able to display the error message to the customer. In all successful cases, Award Recipient is expected to transmit to Utility all appropriate messages such as successful CC or DC payment or successful future CC or DC payment, or cancelled future CC or DC payment, or cancelled/reversed successful DC or DC payment.
5.20	Explain how the payment will be taken by your representatives, our representatives, voice response and internet? Estimate the 'talk time' per payment type and collection method. Please describe your portal and indicate its security features.
	Cancel/Update a Payment (Common Web & CSR Console)
5.21	Proposed solution is expected to provide the ability for a customer or CSR to cancel or update a pending credit card payment. Award Recipient is expected to pass this information to Utility via Web API. The required data will include, but limited to: Billing account number, WEBID (if known), reversal Billing amount, cancellation payment date, cancellation transaction tracking number, credit card type, convenience fee credit, account classification, (residential or commercial).

5.22	Provide to Utility, via Web service, cancelled or updated future CC or DC payment, or cancelled/reversed successful DC or DC payment. Message payload will be determined during the designed sessions. Minimum data includes, Billing account number, WEBID (if known), reversal Billing amount, payment date, transaction tracking number, credit card type, convenience fee, account classification, (residential or commercial), reversal code/reason, payment reversal date.
	Refund Payments
5.23	Admin users will have the ability to initiate refunds (chargeback/reversal) to the customer's bank or CC/DC account.
	View Payments & Payment History
5.24	Does your system provide on-line inquiry capabilities for the payments? If yes, explain how Utility representatives will access the system for payment inquiry/verification purposes. Is the information accessible via the internet? Is the online inquiry real time for credit card and debit card payments? If no, explain. Can the data be downloaded into other electronic formats (i.e., excel, access, etc.)?
5.25	Customer Service Representatives will have the ability to review pending payments.
5.26	Customer Service Representatives will have the ability to view payment details for single Credit Card / Debit Card and Debit Card payments.
5.27	Customers will have the ability to view their historical payments.
5.28	Admin users will have the ability to search historical payments for research and payment inquiries.
	Manage Users
5.29	Admin users will have the ability to create and manage CSR log on accounts.
5.30	Admin users have the ability to unlock/reset CSR passwords and manage CSR access rights.
5.31	Admin users will have the ability to generate payment reports that can be segregated by state/legacy operating company. Report examples include: ▪ Charge Backs and Returns Report ▪ Remittance Balancing Files Report (stored for viewing) ▪ Transaction Details Report (can be run by date, month or year) ▪ KPI Reporting
5.32	Admin users should be able to assign CSRs by different groups.
	Reporting, System and Data Exchange Functionality

5.33	Utility will transmit at a minimum the Billing Account customer classification as part of the account profile transaction.
5.34	Provide a CSR portal, at minimum, with the following capabilities: a. Each CSR will have an individual login ID. SSO will be implemented between Utility and Award Recipient utilizing OKTA b. A CSR should be able to research a CC and be able to search CC payments by: i. Customer WEBID ii. Payment date iii. Billing account iv. Transaction tracking number, including cancellation
5.35	Will provide Security Assertion Markup Language (“SAML”) sign-on capabilities and the integration between Utility and Award Recipient.
5.36	Will be able to support wallet capabilities at the WEBID level. (Customer will be able to associate banking accounts, from the wallet to Billing account).
5.37	For Authenticated customer via WEBID/password, the proposed solution is expected to be able to maintain a CC wallet for future use for all the Billing Accounts associated with the same WEBID. Utility is expected to provide the key information required for the CC or DC payment to be created, while the web user is transferred to Award Recipient. Security and transfer Protocol to be defined later. Award Recipient is expected to provide a web service for the data exchange. Key information could include: a) Billing Account b) Billing Account classification (commercial or residential) c) Billing Date d) Billing Amount e) Service Street Address f) Service City, State, Zip g) Company Code
5.38	Assess two types of convenience fees: A. Residential customers/Billing account classification B. Commercial customers/Billing account classification
5.39	Call a Utility provided web API in order to publish successful CC pay or DC payments. The required data will include, but limited to: Billing account number, WEBID (if known), Billing amount, payment date, transaction tracking number, credit card type, convenience fee, account classification, (residential or commercial).
5.40	Call a Utility provided web API for all future scheduled CC or DC payments.
5.41	Group bank deposits by Company code, (BOA and JPM banks).

5.42	Group the payment remittance file to Utility billing system by Company code.
5.43	File exchange between Award Recipient and Utility will utilize SFTP. File compression is optional. Utility is expected to pull the file from Award Recipient SFTP folders.
5.44	Provide reports for tracking the activities within the Award Recipient CC portal. Reports should include, but not be limited to: 1. Customers with CC wallets on Award Recipient's site 2. Payment reports 3. Transaction reports 4. Treasury required reports
5.45	Enable Utility to broadcast/publish welcome messages on the customer portal.
5.46	Is your proposed application solution device responsive – allowing for same quality and functionality on different devices? Please describe.
5.47	Does your proposed application solution meet double AA American Disability Act ("ADA") guidelines and if it does not what is the time frame for becoming double AA ADA compliant for web?
5.48	Provide scripting in the IVR and accommodate changes in verbiage or call flow requested by Utility.
5.49	Construct the CC or DC payment page within 1 second, (transaction clock time starts when data hits the first device on the Award Recipient infrastructure).
5.50	How will you provide report information? Can the report be separated by the following categories? a. Operating Company b. Product c. Payment Form (Credit card & Debit card) d. Payment Channel (IVR, Internet and CSR by different groups) Explain any additional reporting features beyond these you offer. Indicate all available data captured by your system, for each transaction, that can be included in either the remittance file or the reports file or available online and include sample reports for our review.
5.51	From internal company wide access, discuss your systems security features (user access level, controls, transaction audit trails, etc.). Explain your maintenance schedules, and discuss change notification, upgrades along with version compatibility.
5.52	Explain your system's back-up procedures and disaster recovery plans, i.e., should your system go down, how is data reconstructed? What assurance is there that payment data will be transmitted to Utility in a timely manner to update customers' accounts for billing? Explain best and worst case scenarios in the event of a system failure; include an estimate of the time required to be fully operational.

5.53	Specify the amount of customer data maintained on the service, provide the record retention policy for the payment data, timing on retrieval and archiving of payment data and the security procedures for maintaining the privacy of the consumers' card/account data.
5.54	Indicate all customer support services your company offers to both Utility and the customers for problem resolution, payment inquiries, etc., including an issue escalation process and related timeline.
5.55	Fully describe your firm's system performance history over the last 24 months regarding any impact to a customer's ability to process payments. Outside of regular system maintenance what has your system availability been for customers over the last 24, 18, 12 and 6 month time frames?
5.56	Estimate the time-frame required for implementation of your products once a contract has been signed. Discuss the manpower and resources you dedicate to product roll out and include an outline of your testing procedures.
5.57	Discuss all customer support services your company offers to Utility for problem resolution, payment inquires, etc. Indicate the amount and type of client support that is provided on an ongoing basis beyond implementation.
5.58	Does your proposed application solution function properly on the most current and two (2) prior versions of the following browsers: Safari, Internet Explorer and Chrome?
5.59	Describe the SLA's included within your proposed solution.

Exhibit 4

Pricing Matrix

Assume Start Date of August 2016	Penetration Rate Year 1	Fee	Total Cost Year 1	Penetration Rate Year 2	Fee	Total Cost Year 2	Penetration Rate Year 3	Fee	Total Cost Year 3	Penetration Rate Year 4	Fee	Total Cost Year 4	Penetration Rate Year 5	Fee	Total Cost Year 5	Total Five Year Fixed Price	Fixed Convenience Fee
Residential Free Fee MA																	
Commercial Convenience Fee MA																	
Residential Convenience Fee CT																	
Commercial Convenience Fee CT																	
Residential Convenience Fee NH																	
Commercial Convenience Fee NH																	
Residential Free Fee MA and CT																	
Commercial Convenience Fee MA and CT																	
Residential Convenience Fee NH																	
Commercial Convenience Fee NH																	

Cost for IVR Service:	
Implementation Costs:	
Provide Hourly Rates:	
Confirm Utility Rate:	

Request for Proposal

Unit Cost Per Transaction (Credit Cards)

October 12, 2016

PLEASE NOTE: This request for proposal is not a guarantee of any work, authorization to commit Contractor's resources or a commitment for future bid solicitations on this, or any other work. The response shall include a separate section sequentially addressing exceptions taken to the Utilitiy's documents and alternative language for consideration.

Table of Contents

1. Requestor Information

1.1. Name and Address of Requestor

Eversource Energy Service Company ("Eversource" or "Utility")
Purchasing Department
South Building
107 Selden Street
Berlin, CT 06037

1.2. Schedule

Issuance of RFP	October 12, 2016 Wednesday
Deadline for RFP Participant Questions	October 14, 2016 Friday – 4 PM EST
Utility Response to Question	October 17, 2016 Monday
Proposal Due Date	October 19, 2016 Wednesday – 1 PM EST
Evaluation of Proposals	Approximately three (3) Weeks
Reference Calls/Presentations	To Be Determined

2. Instructions to RFP Participants

2.1. RFP Participant Submittals

All submittals must be completed and posted via Ariba sourcing software.

2.2. RFP Participant Inquiries

Questions should be documented via the Ariba sourcing software.

2.3. Third Party Integration

RFP Participants should submit information about products, from other vendors, which form an integral part of their solution if applicable.

2.4. Expense and Obligations

RFP Participants are responsible for all costs of response preparation. Utility is not liable for any cost incurred by the vendor in response to this RFP.

2.5. Response Format and Organization

To expedite the review process, all respondents must conform to the following format outline. Any additional information that you believe to be necessary should be included as appendices to the RFP response. These appendices should be appropriately labeled and referenced in the body of the response. This section outlines the requirements your organization is requested to address in order to comply with this RFP. It is important proposal responses follow the format presented here. The table below describes the statuses to be used to describe how you meet the requirement. A section for optional explanatory text is included within the Response Template.

Meet Requirement Status	Description
Yes – Standard Functionality	The capability is available in the shipping version of the product without any changes.
Yes – With Configuration	The capability can be implemented with only configuration changes within the product and these will not affect performance, capabilities, etc. and shall be supported within future upgrades / release.
Yes – With Customization	The capability can be implemented but will require effort on behalf of the vendor or client to customize the product.
Yes – via 3rd Party Tools	Additional tools are required to meet the requirements.

Meet Requirement Status	Description
No – Planned for Future Release	The capability is not available in the current release but is planned for a future release.
No – No Plans to Include	The capability is not currently available nor are there plans to include it in a planned release.

Note: All responses of "Yes" shall indicate the required capability is available in the current shipping version of the product.

Using the embedded Microsoft Word file "2016_Utility_RFP_Question_Response_Template_.docx" attached to the RFP, respond to each requirement listed in the following sections, following the numbering system used. Return this completed document as a separate MS Word attachment file within your proposal response.

2016_Utility_RFP_Qu
estion_Response_Te

To provide further clarifications and insights the following document contains RFP clarification questions and Eversource responses regarding the opportunity to provide credit and debit card service support.

Eversource_Respons
e_to_RFP_Questions

2.5.1. Company Profile

Using the Microsoft Word file "2016_UtilityRFPCompanyProfile.docx" attached to this RFP, respond to each requirement listed. In ten (10) pages or less, provide the requested general information about your company.

2016_UtilityRFPCom
panyProfile.docx

2.5.2 Executive Summary

This section should include a brief but comprehensive executive summary of how your proposed solution will address the requirements of this proposal and estimated dates. In addition, Vendors should explain why their proposed systems solution should be selected over competitive suppliers. If the system is comprised of multiple components, briefly describe the major applications.

2.5.3 Response Sections

This section should include the responses to all questions in Sections 4 through 12 of the RFP. ***Please use our embedded Microsoft Word file "2016_Utility_RFP_Question_Response_Template_.docx" when responding.***

All proposals must be received by the October 19, 2016 closing date at 1:00pm. All proposals must be electronic files, submitted using Ariba. Proposals must be organized and indexed in the format identified herein in Section 2.5 *Response Format and Organization*. Each section must contain all items in the sequence identified. An authorized official must sign the proposal. The proposal must also provide the names, titles, phone numbers, and email addresses of those individuals with authority to negotiate and contractually bind the company. We may use this information to obtain clarification of information provided. Responses files shall be submitted using an 8 ½" by 11" format (MS Word). All pages shall be numbered. The RFP shall **not** include any marketing brochures. Incomplete RFPs may disqualify the RFP Participant from consideration.

2.5.4 Validity of Proposal

This section should specify the period during which the proposal is valid, signed by a duly appointed corporate officer binding the supplier to the provisions of the proposal. This period shall not be less than 24 months from receipt of the proposal.

If a respondent specifies that proprietary information is in their information packet, Utility will take all reasonable steps to prevent disclosure of this information to others. IF PROPRIETARY INFORMATION IS NOT SPECIFICALLY MARKED BY THE RESPONDENT AS "PROPRIETARY INFORMATION", THEN Utility IS NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE TO THE RESPONDENT CAUSED BY ANY DISCLOSURE OF SUCH INFORMATION BY Utility, ITS AFFILIATES AND EACH OF THEIR OFFICERS, DIRECTORS, SHAREHOLDERS, TRUSTEES, EMPLOYEES, ATTORNEYS AND AGENTS..

2.6. Evaluation of RFP

Utility is under no obligation to act upon any and all responses to this RFP for any, or for no reason. If regulatory approval is not obtained, Eversource may elect not to proceed with an award.

3. General Information

3.1. Purpose of this RFP

The purpose of this RFP is to solicit proposals for **fee free** credit and debit card payment services (collectively "credit card services") for a five (5) year term. These services will initially be made available to Eversource's Massachusetts residential customer base and potentially to Eversource's Connecticut residential customer base, pending approval of each respective State's Regulatory authority. Eversource affiliates that will not be participating in the fee free credit card model will be provided credit card services utilizing a convenience fee model. Proposals should provide Eversource with the option to have its own customer service representatives have access to a payment portal for use during regular business hours. Refer to Exhibit 1 for current Eversource affiliate volumes and additional insights as to Eversource's customer payment types and card utilization.

Eversource is seeking to secure its credit card transaction processing services which should include both Web and IVR hosting of this service to enable each Eversource affiliate customer base to access and process credit and debit card payments to pay their electric and/or gas utility bill. Eversource currently provides credit card services to its customers via a third-party vendor where customers who use the service pay the processing fee related to the transaction (i.e., convenience fee model) Eversource is strongly considering a **fee free** credit card payment model for its Massachusetts residential customers where Eversource will absorb the credit card processing costs but this is contingent upon first obtaining MA Regulatory authority approval. Eversource is also considering doing the same for its Connecticut residential customers, again contingent upon first gaining CT Regulatory authority approval.

All proposals must be compliant with current banking regulations as well as any pertinent operating requirements established by VISA, MasterCard and other credit card companies. Customer Service Representatives should be able to upload credit card data and review any pending transactions.

Out of Scope – All ACH / EFT and eBilling services

3.2. Eversource Profile

Eversource Energy (NYSE: ES), ("Eversource" or "Utility") a Fortune 500 and Standard and Poor's

500 energy company based in Connecticut, Massachusetts and New Hampshire, operates New England's largest energy delivery system. Eversource is committed to safety, reliability, environmental leadership and stewardship and expanding energy options for its 3.6 million electricity and natural gas customers. Eversource's regulated operating subsidiaries include Connecticut Electric, Eastern Mass Electric, Western Massachusetts Electric, Connecticut Gas Massachusetts Gas, and New Hampshire Electric.

Massachusetts law enacted in 2012 requires electric distribution companies to file for a rate case at least every five years. Eversource will comply with this law by filing dual rate cases in 2017 for Massachusetts Electric. Eversource will also consider including a credit card model for a potential rate case for Connecticut Electric in 2017. Eversource anticipates submitting a single set of testimony and supporting analysis by an economic/ratemaking expert supporting an overarching incentive or performance-based ratemaking plan.

3.3 Project Background & Overview of Utility's Credit Card and Debit Card Request for Service

Eversource is seeking bid proposals for **fee free** credit card hosted services that provides the lowest fixed price per payment transaction cost initially for MA residential customers and potentially for CT residential customers over a five year term. This fixed price per transaction will be used to invoice Eversource each month based on actual credit / debit card utilization experienced by Eversource customers. Please note however that Eversource plans to still provide credit card services to its other affiliate residential and commercial customer bases (in CT. MA and NH) using the customer convenience fee model and as such bid proposals should also include convenience fee pricing for these residential and commercial customer credit card payments. Eversource's existing credit card convenience fee model for residential and commercial customers, features a maximum payment amount of $600 for residential and $1500 for non-residential/commercial customers, with a limit of up to five (5) transactions in a thirty (30) day period.

Pending MA regulatory authority approval, Eversource expects the **fee free** credit card model to be available to its Massachusetts Electric & Gas customers starting in the August 2018 time-frame with the potential to expand to Eversource's Connecticut Electric and Gas residential customers at a later date pending CT regulatory authority approval.

Eversource would enter into a contract for the above-mentioned services, acting in its capacity as the duly authorized contracting agent for Eversource Massachusetts Electric & Gas and Connecticut Electric and Gas. The credit card payment options may be supported as Eversource funded or consumer funded (or a combination of both) subject to regulatory approvals. Eversource's primary objective is to provide easy, convenient and secure payment options to its customers while minimizing the per unit transaction costs associated with processing and administering credit card and debit card services.

3.4 Credit / Debit Card Utilization Rate and Assumed Risk

In an attempt to help reduce overall risks on the part of the vendors who will be bidding on this RFP, Eversource has provided its best estimate and projection of the anticipated utilization rates for credit / debit card payments. As such, bid proposals should provide Eversource with the lowest fixed price per payment transaction cost over a five year term. This fixed price per transaction will be used to invoice Eversource each month based on actual credit / debit card utilization rates experienced by Eversource. In order for Eversource to be able to support and seek approval to include **fee free** credit card related costs into its proposal to regulators base, proposals must include a fixed price per payment transaction that can be applied to the estimated utilization rates provided by Eversource to determine both an annual and overall cumulative five year fixed cost proposal for Eversource. Vendors will assume the risks and any additional costs if their actual costs in any way exceed the fixed price per transaction costs being proposed over the 5 year term. The fixed price per transaction cost does not necessarily need to be the same year over year but it needs to remain a fixed price per each transaction on an annual basis.

4. General Information – RFP Participant

Please provide the following information about your Company:

1. Identify all parties included in this proposal (i.e., Merchant Processor, and Acquirer) with whom Utility would enter into a contract. Identify each party's Parent Company.
2. Where are your headquarters?
3. List the number of years in the business as a credit card service provider.
4. Provide financial data, including but not limited to your Annual Report, SEC 10K Report, and financial statements, which will enable Utility to evaluate the financial statue and stability of your company.
5. Describe your organizational structure: number of employees in the credit card and debit card business units (field, staff, data processing, customer service, IT support.).
6. List the credit card networks (i.e., Cirrus), and credit cards supported (i.e., MasterCard, VISA, American Express, Discover), the debit card supported and debit card networks accessed (i.e., NYCE).
7. List all the networks with whom you have agreements that are used to access cards and or bank accounts. Please explain these relationships and the relationships between all parties included in this proposal.
8. List all utility, separate regulated utilities from non-regulated utilities, and non-utility clients from utility using your service showing service used (i.e. credit card and/or debit card.) Indicate whether the client uses your products as client funded or consumer funded and include the period of time your service has been used by each client. Indicate which client's can be called on as references.
9. List other products/services offered besides credit cards and debit cards.
10. What differentiates your product(s) from others in the marketplace?
11. To the fullest extent possible describe any pertinent legal litigation involving your company that would impact your company's ability to provide the system or requested services to Utility.
12. Describe whether you are compliant with all applicable Sarbane Oxley requirements and please provide documentation or descriptions of your internal protocols, procedures and corporate guidelines, which were developed to ensure your compliance with applicable Sarbanes Oxley requirements.
13. Does your proposed solution include a feature to store multiple payment cards for future use for all the Billing Accounts associated with the same Web ID

5. System Information / System Requirements

Exhibit 3, *Utility Business and Functional Requirements* shall be incorporated herein by reference. Within your proposal response please provide information and explanations regarding your service capabilities to meet or exceed the requirements specified within Exhibit 3.

6. Contractual Agreements

Please respond to the following issues regarding contractual agreements:

1. Indicate your willingness to provide Utility's internal and/or external auditors' access to appropriate information in order to conduct independent audits periodically of you and your agents as well as each vendor identified in your proposal with whom Utility would enter into a contract.
2. In addition to providing Utility with your proposed form of Contract, please indicate whether you are proposing one or more alternatives for any provisions in these Contracts so that Utility can choose among alternate Contract provisions.
3. Your proposed form of Contract should clearly state that (i) the risk of loss associated with all customer payments processed by you and your agents under the Contract shall remain with you until such time as such payments are credited to Utility's banking account(s); and (ii) that you will indemnify, defend

and hold harmless Utility, its affiliates and their officers, directors, shareholders, employees and agents from any customer payments that are not timely credited to Utility's banking account(s).

4. With respect to the customer payments that will be processed in accordance with the Contract, please identify what protections you have in place to mitigate the risk of fraud, embezzlement, diversion of funds or other similar activities by your employees and agents.

7. Confidentiality and Security of Customer Personal Information

Please provide the following information:

1. Explain the mechanisms, procedures and technologies that you have in place to safeguard the confidentiality of the data, computer files and documents containing personal customer information which you may have access to.
2. Indicate your willingness to keep confidential any customer personal information you receive in the course of performing any work contemplated by the scope of the Request for Proposals, and to utilize data security systems approved by Utility, and compliant with Utility's data security requirements, and all applicable laws and regulations in all jurisdictions in which Utility, on behalf of its utility affiliates, operates.
3. Review and complete the DDQ Security Questionnaire. Utility has a separate set of cyber security standards attached to this RFP in the form of an embedded file Vendor_Security_Questionnarie_Template_.doc, which contains Utility's "IT Security Due Diligence Questionnaire", found below. Return this completed document as a separate MS Word attachment file (include name of your firm in the file name ie. XYZ_Corp_Security_Questionnaire) within your proposal response, along with any supporting documentation you may have (i.e., SAS-70 Type II, PCI Compliance statement, or other third party attestation of your security standards).

Vendor_Security_Qu
estionnaire_Template

8.0 Banking Information

Please provide the following banking information:

1. Indicate the availability of funds to Utility (for credit cards and debit cards) once collected and deposited. Please specify all options available. Also, what is the earliest availability of funds for Saturday and Sunday payments?
2. Explain (as applicable to your proposal) any return processing procedures, timeliness, charge backs, and indicate what banking fees (if any) Utility will be responsible for. Please explain for credit card)
3. Explain your payment/deposit reconciliation procedures and indicate when they are performed and by whom.

9.0 Technical Information

Please describe in good and sufficient detail the scope of work that our Information Technology department will be required to perform in order to implement your particular service. Complete the following Implementation SOW:

Implementation SOW
7-16 BB rev 2.doc

10.0 Support

1. In accordance with Exhibit 2, *Eversource Vendor Test Methodology Requirements*, incorporated herein by reference, describe the implementation plan and define the time and resources (Utility and vendor as described in your response to Section 5.10) necessary to implement the system. This should include any additional custom services.
2. Is there a customer support group within your organization? If yes, how large is the group, where is it located and what are its responsibilities.
3. How do you handle user problems and unique user requests/reports?
4. Do you have a user customer service center? What are the hours of operation? What is the average turn-around for customer service issues? How large and where is the center located?
5. Do you have a service /help line? What hours are it staffed? Is there any additional cost for this service?
6. Describe the means by which your customer service/support help line can be reached (i.e. phone/email)
7. Do you offer on-site support services? Remote diagnostics? What are the costs and/or billing rates for on-site support?

11.0 General Training Requirements

Describe any training services that are required for successful implementation and operation. Indicate how many days of training are required and where you recommend training be done. Does your plan include an on-site follow-up a few weeks after implementation?

12.0 System Costs – Pricing Scenarios

A pricing spreadsheet file has been imbedded / included as Exhibit 4, incorporated herein by reference. Please complete and return with your proposal response the pricing spreadsheet file for a 5 year fixed free fee starting August 2018 with a Utility cost cap model credit card offering for:

Massachusetts: a free fee model for residential customers and convenience fee model for commercial customers based upon a maximum payment of $600 for residential and $1500 for non-residential/commercial customers five (5) times in a thirty (30) day period. Also provide a fixed convenience fee for residential and commercial customers in Connecticut and New Hampshire based upon the same parameters listed above.

Massachusetts and Connecticut: a free fee model for residential customers and convenience fee model for commercial customers based upon a maximum payment of $600 for residential and $1500 for non-residential/commercial customers five (5) times in a thirty (30) day period. Also provide a fixed convenience fee for residential and commercial customers in New Hampshire based upon the same parameters listed above.

Scenario A - Provide your lowest residential fee free transaction cost if there were a reasonable impact to the current $7.95 C&I transaction fee applicable to a $1,500 max with 5 transactions allowed within a 30 day period. Reasonable is what your firm believes this market would bear based on your experience.

Residential **Free** Fee MA (all CC) *

Scenario B - Provide your proposed lowest residential fee free transaction cost if residential and commercial/Industrial are both based on cost of service for each meaning no cross subsidization occurs

Residential **Free** Fee MA (all CC) **

Specify if implementation costs are included in proposed fees or a separate one time fee. Provide hourly rates for employees involved in implementation services.

Indicate if pricing is inclusive of supplier provided customer support – (eg. IVR press 3 to speak with a rep.)

Also describe your proposal in terms of providing Utility with a Utility Rate. Include all requirements in detail for Eversource to qualify for and maintain a Utility Rate structure.

Exhibit 1
Volumes

Operating Company Ledger: CTE=CT Electric, CTG=CT Gas, EMA Eastern MA Electric, WMA=Western MA Electric, NH=NH Electric

OPCO	CLASS	# OF ACCTS			
CTE	NON-RES	106,428			
	RES	1,109,117			
CTG	NON-RES	27,324			
	RES	200,506			
EMA	NON-RES	187,098	MA Total		
	RES	1,269,325		NON-RES	205,614
WMA	NON-RES	18,516		RES	1,458,033
	RES	188,708			
NH	NON-RES	70,219			
	RES	428,411			

East Mass

Number of Credit Card Payments Received

REV_CLASS	8-2015	9-2015	10-2015	11-2015	1-2016	12-2015	2-2016	3-2016	4-2016	5-2016	6-2016	7-2016
COM	988	929	939	951	941	997	1,083	1,374	1,153	1,428	1,229	1,168
RES	12,638	13,095	13,978	12,465	11,801	12,014	13,163	16,850	16,389	17,628	17,169	15,244
Grand Total	13,626	14,024	14,917	13,416	12,742	13,011	14,246	18,224	17,542	19,056	18,398	16,412

Total $ Amount of Payments Received

REV_CLASS	8-2015	9-2015	10-2015	11-2015	1-2016	12-2015	2-2016	3-2016	4-2016	5-2016	6-2016	7-2016
COM	$662,921	$597,489	$581,062	$593,475	$544,938	$594,059	$704,828	$852,653	$752,370	$942,875	$772,134	$776,244
RES	$2,897,111	$2,943,293	$2,938,517	$2,280,019	$2,146,539	$2,126,625	$2,726,483	$3,760,305	$3,627,908	$3,615,385	$3,422,704	$2,873,138
Grand Total	$3,560,032	$3,540,782	$3,519,579	$2,873,494	$2,691,477	$2,720,684	$3,431,310	$4,612,957	$4,380,278	$4,558,259	$4,194,838	$3,649,381

Average Payment Amount Received

REV_CLASS	8-2015	9-2015	10-2015	11-2015	1-2016	12-2015	2-2016	3-2016	4-2016	5-2016	6-2016	7-2016
COM	$671	$643	$619	$624	$579	$596	$651	$621	$653	$660	$628	$665
RES	$229	$225	$210	$183	$182	$177	$207	$223	$221	$205	$199	$188
Grand Total	$261	$252	$236	$214	$211	$209	$241	$253	$250	$239	$228	$222

<u>Operating Company Ledger</u>: CTE=CT Electric, WMA=Western MA Electric, NH=NH Electric, CTG=CT Gas

Number of Credit Card Payments Received

OPCO	REV CLASS	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16
CTE	COM	985	1098	1132	1040	1237	1222	1302	1410	1254	1425	1376	1288
	RES	23967	25158	25025	23039	24632	24257	29006	28800	26600	29150	28953	28481
WMA	COM	149	134	119	102	125	153	135	192	155	156	170	164
	RES	4978	4911	5020	4592	4159	4271	5081	5215	4881	5874	5339	5803
NH	COM	281	304	340	335	402	357	391	420	372	411	407	371
	RES	8234	8529	8977	8064	7374	7612	9224	9018	8995	10511	10828	9895
CTG	COM	482	441	502	481	461	704	549	594	563	569	572	548
	RES	2951	2998	3105	2926	3552	3804	4915	4586	4300	4629	4167	3785

Total Payment Amount Received

OPCO	REV CLASS	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16
CTE	COM	$822,746	$1,097,953	$993,205	$880,350	$916,283	$936,390	$1,041,741	$1,287,845	$998,168	$1,154,807	$1,104,372	$1,075,146
	RES	$5,603,042	$6,013,899	$5,650,546	$4,553,020	$4,786,152	$4,687,993	$6,460,102	$6,535,300	$5,822,378	$6,373,282	$5,883,115	$5,848,125
WMA	COM	$88,366	$110,754	$101,193	$80,504	$125,329	$89,208	$155,092	$135,374	$165,546	$176,817	$156,651	$151,818
	RES	$971,096	$942,692	$992,986	$833,775	$698,262	$724,489	$1,007,211	$1,031,563	$945,420	$1,187,617	$948,603	$1,004,846
NH	COM	$149,981	$140,357	$147,439	$129,029	$156,177	$131,778	$167,685	$188,441	$178,147	$186,903	$172,160	$162,659
	RES	$1,552,060	$1,631,543	$1,670,089	$1,340,585	$1,136,517	$1,246,415	$1,772,416	$1,679,515	$1,685,712	$1,901,362	$1,865,139	$1,649,119
CTG	COM	$161,185	$122,447	$189,333	$137,069	$219,962	$331,539	$226,095	$372,841	$245,922	$262,240	$197,568	$166,903
	RES	$356,113	$310,263	$318,328	$291,642	$425,405	$506,095	$815,408	$793,583	$740,268	$768,662	$594,999	$465,844

Average Payment Amount

OPCO	REV CLASS	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16
CTE	COM	$835.28	$999.96	$877.39	$846.49	$740.73	$766.28	$800.11	$913.37	$795.99	$810.39	$802.60	$834.74
	RES	$233.78	$239.05	$225.80	$197.62	$194.31	$193.26	$222.72	$226.92	$218.89	$218.64	$203.20	$205.33
WMA	COM	$593.06	$826.52	$850.36	$789.26	$1,002.63	$583.06	$1,148.83	$705.07	$1,068.04	$1,133.44	$921.47	$925.72
	RES	$195.08	$191.96	$197.81	$181.57	$167.89	$169.63	$198.23	$197.81	$193.69	$202.18	$177.67	$173.16
NH	COM	$533.74	$461.70	$433.64	$385.16	$388.50	$369.13	$428.86	$448.67	$478.89	$454.75	$423.00	$438.44
	RES	$188.49	$191.29	$186.04	$166.24	$154.12	$163.74	$192.15	$186.24	$187.41	$180.89	$172.25	$166.66
CTG	COM	$334.41	$277.66	$377.16	$284.97	$477.14	$470.94	$411.83	$627.68	$436.81	$460.88	$345.40	$304.57
	RES	$120.68	$103.49	$102.52	$99.67	$119.77	$133.04	$165.90	$173.04	$172.16	$166.05	$142.79	$123.08

Volumes by card type

All of Eversource card payments -

Payment Type	Payment Count	Payment Amount	%Card type
Eversource Grand Totals			
07/01/2015-08/01/2016			
American Express	20,935	$ 6,664,066	2.3%
Discover	3,536	$ 875,065	0.4%
Master Card	286,683	$ 50,174,456	30.8%
Visa	554,982	$ 119,355,751	59.7%
ATM	64,070	$ 10,459,021	6.9%
Total	**930,206**	**$ 187,528,359**	

MA only card payments -

Payment Type	Payment Count	Payment Amount	%Card type
MA Grand Totals			
07/01/2015-08/01/2016			
American Express	20,935	$ 6,664,066	6%
Discover	3,536	$ 875,065	1%
Master Card	83,352	$ 17,967,760	25%
Visa	168,169	$ 36,456,670	49%
ATM	64,070	$ 10,459,021	19%
Total	**340,062**	**$ 72,422,582**	

CT only card payments -

Payment Type	Payment Count	Payment Amount	%Card type
CT Grand Totals			
07/01/2015-08/01/2016			
Master Card	125,033	$ 22,240,732	30%
Visa	290,427	$ 65,241,271	70%
Total	415,460	87,482,003	

Exhibit 2

Eversource Vendor Test Methodology Requirements

The Utility QA & Standards (Testing) Group must be involved in the development and review of the testing components of the mutually agreed upon Statement of Work (SOW).

The vendor is required to follow the Utility Information Technology (IT) Test Methodology in its entirety, including conducting all activities, using all tools and producing all artifacts as prescribed by the process, unless the vendor has applied for and secured an approved variance by the Manager of Standards & QA, in which case the approved variance shall prescribe the test methodology to be used for the specific engagement. The variance is limited to the specific engagement only and cannot be carried forward to other engagements or SOWs.

The vendor is required to perform Unit Testing and Site Integration Testing on the Utility configuration and to support Utility Integration Testing and User Acceptance Testing. The specific requirements for each test phase are listed in the subsections that follow.

Additionally the vendor is required to fulfill the following requirements as part of their response.

- A weekly testing update is required that at a minimum details: a) the health status of the testing; b) the accomplishments since the last report; c) the planned accomplishments for the upcoming reporting period; and d) any issues, risks or concerns.
- A Traceability Matrix must be provided that relates the requirements and specifications of the system to all of the testing that the vendor conducted.
- The number of Defects that are found and the status of each Defect (e.g., remediated, remaining, etc.) up to the point that the system is delivered to Utility.
- Utility reserves the right to review the qualifications of any and all candidates (e.g., for Test Leads, Test Managers, Testers, etc.) that are being proposed by the vendor, and additionally reserves the right to accept or reject any candidate.
- The vendor is required to use the Utility testing tools suite as the repository to upload the requirements and specifications and to contain and manage Test Cases, Test Execution Results and Defects. The only exception to this is where the development and testing is done by the vendor completely internally and is black box to Utility and has no development or testing interaction with Utility other than to turn over the executable module.
- The vendor is required to track testing using the standard Utility testing metrics set.

Vendor Unit Testing

The vendor must perform Unit Test on the Utility configuration at their site and report progress on a weekly basis. The vendor must engage their internal testing resources for this testing. The reporting shall include test coverage metrics and documentation of all defects found. All high and medium severity defects found in unit testing must be fixed without a work-around as an entrance requirement to Site (System) Integration Test.

System Integration Testing

The vendor must perform System Integration Test at Utility facilities using Utility configurations and platforms. The vendor must provide resources on site to execute this testing. The vendor must provide a Test Plan document for Utility to review and approve prior to the commencement of System Integration Test. The Test Plan must include, but is not limited to, the following:

- Entrance Criteria: Utility approval of unit test results. All urgent, high and medium severity defects shall be fixed, retested and closed.
- Requirements regarding Utility environment and support from team members.
- Detailed Test Cases and test procedures including all permutations, combinations and negative scenarios.
- Traceability Matrix of Test Cases to Requirements.
- Weekly meetings to review test coverage and Defects found during Site Integration Test.
- Exit Criteria: Review meeting and acceptance of test results by Utility. Utility shall have the right to require additional testing at no additional cost based on the number of Defects found.

Support during Utility Integration Testing and UAT

- Any and all core product and Utility configuration or customization Defects found by Utility must be fixed in the version release that Utility is implementing; not in a future product release.
- Utility requires the use of ALM/Quality Center v12 (or a later version as specified by Utility) as the test management and defect tracking tool of record. Entering defects into the vendor's defect tracking system is the sole responsibility of the vendor. Utility Quality Center defect numbers must be used for reporting on all status reports and during status and defect meetings.
  - The vendor will adhere to Utility categorization of Defect Severity and Priority as detailed within individual Project Test Strategies and/or Plans.
  - The vendor will be directed by Utility as to the appropriate method and detail level around defect details, handling and related root cause determinations
- Both parties will mutually agree to set the Priority and Severity of defects found during the testing process.
- Vendor participation in all Defect review meetings is required. Priority and Severity dispositions shall be documented at the meetings.
- Release notes and a version control plan are required for all releases prior to production implementation are required

Support during Utility Performance Testing

- The Vendor shall participate in Performance testing with Utility Business, development and/or QA resources.
- The Vendor shall provide Environments and Data considered reasonable to facilitate the testing efforts.

Exhibit 3

Utility Business and Functional Requirements

Please provide the following information and explanations regarding your proposed service.

5.1	**Cardholder Information**. Explain in detail how your company will manage and protect the confidentiality of any information received and/or processed as a result of doing business with Utility. To the extent that Second Party receives any Cardholder Information, Second Party shall maintain all appropriate physical, electronic and procedural safeguards designed to: (a) maintain the security and confidentiality of such Cardholder Information, including without limitation encrypting Cardholder Information in accordance with Credit Card's policies; (b) protect against any anticipated threats or hazards to the security or integrity of such Cardholder Information; and (c) to protect against unauthorized access to or use of such Cardholder Information that could result in substantial harm or inconvenience to the individual(s) to whom such Cardholder Information pertains. If Second Party experiences any unauthorized access to any of its facilities or systems pursuant to which it believes or suspects that one or more third parties may have been able to obtain access to Cardholder Information, Second Party shall immediately notify Utility or any other corresponding credit card institution and (i) provide these designated parties with all available information regarding the nature and scope of such unauthorized access, and (ii) fully cooperate with the handling of such matter, including without limitation any investigation, reporting and other obligations required by applicable law or regulation, or as otherwise required any corresponding credit card institution
	Make a payment (Common Web & IVR)
5.2	Customers will be required to authenticate (account number will be provided) to make a self-service payment absent an API call.
5.3	Customers will have the ability to make one-time self-service Credit Card / Debit Card payment.
5.4	Customers will have the ability to make payment using MasterCard, Visa, Discover and American Express Credit Card / Debit Cards and Debit Cards.
5.5	Customers will have the ability to schedule a future dated Credit Card payment (Debit Card payments cannot be future dated).
5.6	Customers will have the ability to make a current date payment.
5.7	Customers will have the ability to make a partial payment.

5.8	Customers will not be able to make a payment if they have a balance equal to or less than zero.
5.9	Customers will not be able to make a payment for an amount greater than the total account balance.
5.10	Customers will be able to make payment after the payment due date.
5.11	Customers will be able to make multiple payments.
5.12	Customers will have the option to save single bank account information (Remember Me capabilities).
5.13	Customers will receive a payment email confirmation (web only).
5.14	Customer Service Representatives have the ability to process Credit Card / Debit Card and Debit Card payment on behalf of the customer.
5.15	Customer Service Representatives will have the ability to block payments at the Utility Account, Credit Card / Debit Card Account, or Debit Card Account level.
5.16	The payment velocity and max payments are expected to be different for residential and commercial customers/payments. Award Recipient is expected to maintain, implement and enforce the rules associated with payment velocity and max payments.
5.17	The proposed solution is expected to publish the pages required for customers to pay by credit card. During the implementation phase of the project, the Utility to Award Recipient launching method will be established. Proposed solution is expected to provide Utility a secure method for allowing any Utility customer to be re-directed from a Utility authored page to a Award Recipient authored page for processing a CC/DC payment.
5.18	Customers will be allowed to pay for a specific billing account via CC or DC. The Utility authenticated Billing account number will be transmitted securely to Award Recipient.
5.19	The proposed solution should allow a CC or DC payment to be initiated by the Award Recipient's platform. In this case Award Recipient will call securely to a Utility provided web service/API. The required data will include the Billing Account number. Utility will securely respond with same data as previously described. Additionally, Utility could respond with Billing Account validation error. If this is the case, Award Recipient should be able to display the error message to the customer. In all successful cases, Award Recipient is expected to transmit to Utility all appropriate messages such as successful CC or DC payment or successful future CC or DC payment, or cancelled future CC or DC payment, or cancelled/reversed successful DC or DC payment.

5.20	The primary method Eversource customers will use to make a credit card payment will be via accessing Eversource's IVR and Web applications which will provide the customer with options that will link the customer to the vendor's IVR and Web credit card application to then process the payment. If needed, a customer will also have the option to contact our Eversource call centers to request assistance from an Eversource representative to process the payment. Having a vendor representative take / process the payment is not a must have requirement, but Eversource requests that bidders separately price out vendor CSR assisted payments. Explain how the payment will be taken by your representatives, our representatives, voice response and internet? Estimate the 'talk time' per payment type and collection method. Please describe your portal and indicate its security features.
	Cancel/Update a Payment (Common Web & CSR Console)
5.21	Proposed solution is expected to provide the ability for a customer or CSR to cancel or update a pending credit card payment. Award Recipient is expected to pass this information to Utility via Web API. The required data will include, but limited to: Billing account number, WEBID (if known), reversal Billing amount, cancellation payment date, cancellation transaction tracking number, credit card type, convenience fee credit, account classification, (residential or commercial).
5.22	Provide to Utility, via Web service, cancelled or updated future CC or DC payment, or cancelled/reversed successful DC or DC payment. Message payload will be determined during the designed sessions. Minimum data includes, Billing account number, WEBID (if known), reversal Billing amount, payment date, transaction tracking number, credit card type, convenience fee, account classification, (residential or commercial), reversal code/reason, payment reversal date.
	Refund Payments
5.23	Admin users will have the ability to initiate refunds (chargeback/reversal) to the customer's bank or CC/DC account.
	View Payments & Payment History
5.24	Does your system provide on-line inquiry capabilities for the payments? If yes, explain how Utility representatives will access the system for payment inquiry/verification purposes. Is the information accessible via the internet? Is the online inquiry real time for credit card and debit card payments? If no, explain. Can the data be downloaded into other electronic formats (i.e., excel, access, etc.)?
5.25	Customer Service Representatives will have the ability to review pending payments.
5.26	Customer Service Representatives will have the ability to view payment details for single Credit Card / Debit Card and Debit Card payments.

5.27	Customers will have the ability to view their historical payments.
5.28	Admin users will have the ability to search historical payments for research and payment inquiries.
	Manage Users
5.29	Admin users will have the ability to create and manage CSR log on accounts.
5.30	Admin users have the ability to unlock/reset CSR passwords and manage CSR access rights.
5.31	Admin users will have the ability to generate payment reports that can be segregated by state/legacy operating company. Report examples include: ▪ Charge Backs and Returns Report ▪ Remittance Balancing Files Report (stored for viewing) ▪ Transaction Details Report (can be run by date, month or year) ▪ KPI Reporting
5.32	Admin users should be able to assign CSRs by different groups.
	Reporting, System and Data Exchange Functionality
5.33	Utility will transmit at a minimum the Billing Account customer classification as part of the account profile transaction.
5.34	Provide a CSR portal, at minimum, with the following capabilities: a. Each CSR will have an individual login ID. SSO will be implemented between Utility and Award Recipient utilizing OKTA b. A CSR should be able to research a CC and be able to search CC payments by: i. Customer WEBID ii. Payment date iii. Billing account iv. Transaction tracking number, including cancellation
5.35	Will provide Security Assertion Markup Language ("SAML") sign-on capabilities and the integration between Utility and Award Recipient.

5.36	Will be able to support wallet capabilities at the WEBID level. (Customer will be able to associate banking accounts, from the wallet to Billing account).
5.37	For Authenticated customer via WEBID/password, the proposed solution is expected to be able to maintain a CC wallet for future use for all the Billing Accounts associated with the same WEBID. Utility is expected to provide the key information required for the CC or DC payment to be created, while the web user is transferred to Award Recipient. Security and transfer Protocol to be defined later. Award Recipient is expected to provide a web service for the data exchange. Key information could include: a) Billing Account b) Billing Account classification (commercial or residential) c) Billing Date d) Billing Amount e) Service Street Address f) Service City, State, Zip g) Company Code
5.38	Assess two types of convenience fees: A. Residential customers/Billing account classification B. Commercial customers/Billing account classification
5.39	Call a Utility provided web API in order to publish successful CC pay or DC payments. The required data will include, but limited to: Billing account number, WEBID (if known), Billing amount, payment date, transaction tracking number, credit card type, convenience fee, account classification, (residential or commercial).
5.40	Call a Utility provided web API for all future scheduled CC or DC payments.
5.41	Group bank deposits by Company code, (BOA and JPM banks).
5.42	Group the payment remittance file to Utility billing system by Company code.
5.43	File exchange between Award Recipient and Utility will utilize SFTP. File compression is optional. Utility is expected to pull the file from Award Recipient SFTP folders.
5.44	Provide reports for tracking the activities within the Award Recipient CC portal. Reports should include, but not be limited to: 1. Customers with CC wallets on Award Recipient's site

	2. Payment reports 3. Transaction reports 4. Treasury required reports
5.45	Enable Utility to broadcast/publish welcome messages on the customer portal.
5.46	Is your proposed application solution device responsive – allowing for same quality and functionality on different devices? Please describe.
5.47	Does your proposed application solution meet double AA American Disability Act ("ADA") guidelines and if it does not what is the time frame for becoming double AA ADA compliant for web?
5.48	Provide scripting in the IVR and accommodate changes in verbiage or call flow requested by Utility.
5.49	Construct the CC or DC payment page within 1 second, (transaction clock time starts when data hits the first device on the Award Recipient infrastructure).
5.50	How will you provide report information? Can the report be separated by the following categories? a. Operating Company b. Product c. Payment Form (Credit card & Debit card) d. Payment Channel (IVR, Internet and CSR by different groups) Explain any additional reporting features beyond these you offer. Indicate all available data captured by your system, for each transaction, that can be included in either the remittance file or the reports file or available online and include sample reports for our review.
5.51	From internal company wide access, discuss your systems security features (user access level, controls, transaction audit trails, etc.). Explain your maintenance schedules, and discuss change notification, upgrades along with version compatibility.
5.52	Explain your system's back-up procedures and disaster recovery plans, i.e., should your system go down, how is data reconstructed? What assurance is there that payment data will be transmitted to Utility in a timely manner to update customers' accounts for billing? Explain best and worst case scenarios in the event of a system failure; include an estimate of the time required to be fully operational.
5.53	Specify the amount of customer data maintained on the service, provide the record retention policy for the payment data, timing

	on retrieval and archiving of payment data and the security procedures for maintaining the privacy of the consumers' card/account data.
5.54	Indicate all customer support services your company offers to both Utility and the customers for problem resolution, payment inquiries, etc., including an issue escalation process and related timeline.
5.55	Fully describe your firm's system performance history over the last 24 months regarding any impact to a customer's ability to process payments. Outside of regular system maintenance what has your system availability been for customers over the last 24, 18, 12 and 6 month time frames?
5.56	Estimate the time-frame required for implementation of your products once a contract has been signed. Discuss the manpower and resources you dedicate to product roll out and include an outline of your testing procedures.
5.57	Discuss all customer support services your company offers to Utility for problem resolution, payment inquires, etc. Indicate the amount and type of client support that is provided on an ongoing basis beyond implementation.
5.58	Does your proposed application solution function properly on the most current and two (2) prior versions of the following browsers: Safari, Internet Explorer and Chrome.
5.59	Describe the SLA's included within your proposed solution.

Exhibit 4
Pricing Matrix

RESPONSE DOCUMENT - .xlsx - Microsoft Excel

A1 RFP - Unit Cost Per Transaction (Credit Cards)

RFP - Unit Cost Per Transaction (Credit Cards)

Supplier Name:

Assume MA Start Date of August 2018	Baseline Customer Count Year 0	Penetration Rate Year 1	Volume Year 1	Fee	Penetration Rate Year 2	Volume Year 2	Fee	Penetration Rate Year 3	Volume Year 3	Fee	Penetration Rate Year 4	Volume Year 4	Fee	Penetration Rate Year 5	Volume Year 5	Fee	Total Volume for Years 1-5	Total Five Year Fixed Price
Residential Convenience Fee NH (all CC)	428,000	2.3%	116,830		2.3%	116,830	$ -	2.3%	116,830	$ -	2.3%	116,830	$ -	2.3%	116,830	$ -	584,149	$ -
Residential Convenience Fee NH (no AMEX CC)	428,000	2.3%	116,830		2.3%	116,830	$ -	2.3%	116,830	$ -	2.3%	116,830	$ -	2.3%	116,830	$ -	584,149	$ -
Commercial Convenience Fee NH (all CC)	70,000	0.6%	4,729		0.6%	4,729	$ -	0.6%	4,729	$ -	0.6%	4,729	$ -	0.6%	4,729	$ -	23,646	$ -
Commercial Convenience Fee NH (no AMEX CC)	70,000	0.6%	4,729		0.6%	4,729	$ -	0.6%	4,729	$ -	0.6%	4,729	$ -	0.6%	4,729	$ -	23,646	$ -

Assume MA & CT Start Date of August 2018	Baseline Customer Count Year 0	Penetration Rate Year 1	Volume Year 1	Fee	Penetration Rate Year 2	Volume Year 2	Fee	Penetration Rate Year 3	Volume Year 3	Fee	Penetration Rate Year 4	Volume Year 4	Fee	Penetration Rate Year 5	Volume Year 5	Fee	Total Volume for Years 1-5	Total Five Year Fixed Price
Residential Free Fee MA and CT (all CC)**	2,770,000	10.5%	3,490,200		20.5%	6,814,200	$ -	25.0%	8,310,000	$ -	28.0%	9,307,200	$ -	30.0%	9,972,000	$ -	##########	$ -
Residential Free Fee MA and CT (no AMEX CC)**	2,770,000	10.5%	3,490,200		20.5%	6,814,200	$ -	25.0%	8,310,000	$ -	28.0%	9,307,200	$ -	30.0%	9,972,000	$ -	##########	$ -
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Commercial Convenience Fee MA and CT (all CC)*	339,000	1.1%	44,748		1.1%	44,748	$ -	1.1%	44,748	$ -	1.1%	44,748	$ -	1.1%	44,748	$ -	223,740	$ -
Commercial Convenience Fee MA and CT (no AMEX CC)*	339,000	1.1%	44,748		1.1%	44,748	$ -	1.1%	44,748	$ -	1.1%	44,748	$ -	1.1%	44,748	$ -	223,740	$ -
Commercial Convenience Fee MA and CT (all CC)*	339,000	1.1%	44,748		1.1%	44,748	$ -	1.1%	44,748	$ -	1.1%	44,748	$ -	1.1%	44,748	$ -	223,740	$ -

Cost for Call Center IVR Service	
Implementation Costs	
Provide Hourly Rate(s) for additional professional services & define	
Confirm Utility Rate ($)	

Please complete the yellow highlighted cells

*** As a point of reference: Eversource's current rate is $7.95**
**** Provide the lowest cost residential fee exclussive of C & I Fee**

Assumptions

Based on volumes provided, Transaction fees can vary year to year but are fixed for 5 years term
All portfolio volumes are estimates
Percentages from Table "Volumes by card type" on Page 13 of original RFP were used for payment type distribution (VISA, MC, AMEX, Discover)
Maximum payment amounts will be $600 on residential; $1,500 on commercial.
Customers may not make more than 5 On-line PIN transactions in a 30 day period
Payment Terms : Net 30, actual activity
There will be no vendor provision for Termination for Convenience
Eversource does not plan on actively promoting program
Interchange rate variability needs to be included in your fixed rate and any other varibles

RESPONSE DOCUMENT 10-11-16 | Sheet2 | Sheet3

Ready 75%

RESPONSE DOCUMENT - .xlsx

Comments

No cash allowed: Stores refusing to accept money

DINA RUDICK/GLOBE STAFF

Sophia Ling, of ND rfDlk, pay& Amsterdam Falafe18hopempIoyeeTreee11 Etlig using a credit card,

By Megan Voolhouse GLOBE STAFF AUGUST 04, 2016

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Why hunt for a greenback when you can open an app?

But there's a significant hitch to this trend: Refusing to accept cash is illegal in Massachusetts. A state law on the books since 1978 states that no retailer "shall discriminate against a cash buyer by requiring the use of credit." Federal law leaves the choice up to states.

The section of the Massachusetts law is so little known that the Office of Consumer Affairs and Business Regulation makes no mention of it on its website, and several consumer watchdogs said they'd never heard of it. The attorney general's office, which is tasked with enforcing the law, did not provide details about it.

Barbara Anthony, former undersecretary for the consumer affairs office, said the rule raises legitimate concerns as a younger generation increasingly opts for new forms of payment and retail outlets begin to reinvent the cash register. The trend may be in its infancy, but it's never too early to consider the ramifications of creditonly policies.

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Edgar Dworsky, a consumer advocate and founder of the website
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Retailers pay a fee every time a customer swipes a card and often recover those costs by raising prices, passing the costs on to consumers. That's partly why so many small businesses — think the North End's Modern Bakery — have held fast to strict, old-world, cash-only policies.

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The National Retail Federation agrees. Vice president J. Craig Shearman said cash helps retailers hold down prices because the fees they pay credit card companies are typically baked into merchandise prices, making them higher.

Cashless policies may also disproportionately affect low-income consumers, who may have a harder time getting credit and tend to use cash more often.

"Turning down cash is not something we would recommend," Shearman said. "The credit card industry has been very successful at brainwashing consumers into thinking plastic is the same as cash. It's not."

But because the rules are murky, so is the question of enforcement. Despite being tasked with enforcing the law requiring a cash option, Attorney General Maura Healers office issued a statement offering little guidance.

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ADOBE STOCK

Armed with digital devices, young people are leading the way to a cashless future

By Suchita Nayar
GLOBE CORRESPONDENT

Dylan Oesch-Emmel, a freshman at Tufts University, can count on one hand the times he has used cash recently: to convert currency for a trip to Montreal, and for cab fare when his smart phone died and he couldn't use Uber.

"Quite frankly, I use zero cash," said Oesch-Emmel, 19, a Stoneham native.

Like many in his age bracket, Oesch-Emmel does his banking online, rarely uses an ATM, and keeps a credit card for backup. Nearly all his purchases are made with payment apps on his iPhone 7 linked to his debit card: Venmo to split dinner and ride home with friends, for example, or goPuff to have the essentials of college life, such as shampoo, floss, and Cheetos, delivered to his dorm.

Yet while younger people such as Oesch-Emmel don't have much use for cash, the United States actually lags other nations in moving toward a largely cashless financial system. Credit and debit cards have been in wide use here for much longer, and the nation's large, complex banking system makes it difficult to adopt change quickly.

Shaun Ferrari, managing director of Currency Research, said electronic payment businesses are still at the stage here where they are competing against each other more so than cash.

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Indeed, the Federal Reserve Bank of San Francisco and the Bank of International Settlements each report that cash remains the most frequently used payment instrument overall, especially for smaller amounts, both in the United States and other advanced nations.

CASHLESS, Page C5

111%
Increase in consumer use of mobile person-to-person payment methods between 2014 and 2017, according to Boston-based research firm Aite Group

On our way to a cashless future

▶CASHLESS
Continued from Page C1

DINA RUDICK/GLOBE STAFF/FILE 2016

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Outside the United States, change has been significant. A number of nations, including Canada, China, India, and the United Kingdom, are at varying stages of going all-digital. Japan has advanced its target date for cashless up by two years, to 2025.

Meanwhile, Sweden has moved so swiftly to eliminate cash use by its 2023 target that it has had to slow down because a few holdouts are sticking with the krona, no matter what, so businesses will still have to accept it. Moreover, the Krona will serve as a plan B, in the event of a national emergency, such as failure of the electrical grid.

In the United States, the generational shift is hard to miss, according to Kenneth Rogoff, an economist and Harvard University professor.

"Young people are rejecting cash because they find the newer methods faster and more convenient," said Rogoff, who notes that bit-by-bit, the amount of cash in the financial system is declining. "The use of cash in legal, tax compliant transactions is falling rapidly and probably now accounts for under 7 percent of the value of retail sales and only a very small fraction of the business to business," Rogoff said.

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One explanation for those increases, said Talie Baker of the Aite Group, is the ability of payment systems to be made in real time, instead of that lag people used to experience waiting for money to clear. This has made digital payments feel the same as getting cash, more or less instant and around the clock.

Baker also credits Uber and Lyft, with their "frictionless" user experience, for driving adoption of mobile payments. "More and more, consumers are viewing mobile payments as a convenient, secure, and ubiquitous way to make payments," she said.

The private sector is expected to continue driving innovation; fintech, for example, is seeing record capital investments, while technology powerhouses Apple, Google, and Facebook and financial firms keep adding more digital options for customers.

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Hawkins remembers that back during the 1990s high tech boom, some people questioned the future of e-mail or webpages at a time when the US Postal Service and the Yellow Pages were the rule. The same is happening now — digital tokens will just be one more way to convey money, investments, even contracts.

"In time, the actual technology fades to the background and the utility benefits are simply realized by end users," said Hawkins, predicting physical cash will eventually "go the way of dinosaurs."

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Sample 10 Comments 30 breweries

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▶**CASHLESS**
Continued from Page C1

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TSYS® People-Centered Payments

2014 Consumer Payments Study

The results of our fourth annual payment choice study are enclosed. This year's report includes updated information on key consumer payment preferences and new insights on a range of popular industry topics. We continue to strive to provide relevant information to help our clients and others with payment strategies and initiatives while also creating a useful tool for discussions of current and future trends in the industry.

The payments industry continues to evolve with the ongoing migration of chip technology, the growing influence of mobile and social media, the emergence of tokenization, and the increase in influence merchants have on consumer payment methods both in-store and online. Of course, it will continue to be the consumer who ultimately decides how they will pay.

Although we again found that debit is most often the preferred payment choice, credit and even cash remain the top choices at certain locations. Consumer interest in using mobile to receive in-store offers, view activity and manage fraud is relatively high. Our survey respondents — similar to last year — continued to rank non-payment mobile activities higher than mobile payment options. We expect that interest in and use of mobile payment options will continue to grow — particularly with the September announcement by Apple and the overall increase in mobile use in consumers' day-to-day activities.

These findings and many others were obtained from the quantitative research we recently completed with more than 1,000 consumer respondents. The respondents covered a diverse demographic, including gender, age and income. We once again required that respondents have at least one debit card and one credit card. The majority of our survey remained consistent with prior years to facilitate observation of trends in respondents' answers year over year.

Whether you are a client or an industry participant, we hope you will find what follows to be meaningful as you contemplate key issues for your business and our industry.

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Online Survey Results

For the online survey, consumers were asked both general and specific questions. We asked questions regarding their preferred payment type and the reasons for that preference. We also inquired about how they pay in a variety of situations, what their financial institution has offered them recently, and actions they have taken in the past year. We then focused on specific topics like mobile, social media, chip, tokenization and alternative payments. Demographic and other background questions allowed for response segmentation and additional insight.

Some questions required consumers to rank-order their responses according to their relative value. In these instances, response choices were presented at random to prevent undue influence on response data.

The report provides the findings from our research, and is organized as follows:

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I. SUMMARY OF STUDY'S KEY FINDINGS

- **Debit cards remain the preferred payment type, with credit a close second.** Forty-three percent of respondents preferred debit as their overall payment type and 35 percent indicated their preferred payment type was credit. These percentages represent a decrease in respondents who preferred debit from our 2013 study, where 49 percent indicated they preferred debit. Credit-preferred respondents were unchanged at 35 percent. We continue to see debit as the preferred payment type in most situations, with some notable exceptions (see subsequent charts for additional detail).

- **Many consumers use various cards to manage their finances.** Consumers' actions and survey responses reflect what we've found in prior years, which is that they value certain core features of their payment card products, while at the same time they can be influenced by certain valued-added features. The ability to make purchases almost anywhere (electronically and with fraud protection included) are desired features of both credit and debit card products, and these capabilities ranked high for both primary debit and primary credit card users. Primary debit card users selected having funds deducted immediately from their account and easy access to cash at ATMs as the most-valued features of their payment card. Primary credit card users selected rewards and flexible payment options as their most-valued features. A segment of those surveyed also expressed a willingness to use a single card that would provide them with multiple ways to pay. These types of offerings are expanding in both card and mobile wallet forms.

- **Consumers, concerned about the security of their cards and payments, are both demanding and accepting of market changes.** Consumers have a heightened awareness of security, due to both the media and their own experiences. We found that consumers are interested in tools such as transaction authorization controls, instantly viewable transactions and text message alerts to help them protect their accounts. With the approaching EMV liability shift, the adoption of chip functionality continues to gain momentum. In our consumer survey we found that 48 percent of respondents said they have heard of chip cards, and 14 percent indicated that they have already received a card with a chip. Tokenization is also gaining interest as a fraud- and risk-protection tool. Although industry participants understand tokenization and how it will help to reduce payment risk, our results showed that not as many consumers are familiar with tokenization and its advantages. Only 8 percent of respondents indicated they had heard of tokenization, and 16 percent said they would be willing to take the steps necessary to request a token. This number is likely to increase as the technology goes mainstream and consumers better understand how tokenization will protect their account information. We believe that new features that increase the level of security and consumer protection will continue to gain attention.

- **Online, credit remains the preferred way to pay, with 48 percent of our respondents indicating they prefer to use their credit card when making online payments.** This represents an increase of 7 percent over our 2013 study responses. Twelve percent of consumers in our study said they prefer PayPal as their online payment method, a decrease of 10 percent from our 2013 study. Debit, while showing decreases in other payment areas, actually increased as the preferred method of payment online, with 30 percent of respondents indicating they preferred using debit when making online purchases. In our 2013 focus groups, participants indicated the divergence online is primarily rooted in where the payment funds are coming from and what happens if the transaction needs to be disputed: It's easier to dispute a credit card because the funds you need credited back to the card aren't "yours."

- **Mobile payment offerings continue to be of interest to a portion of our survey respondents.** Fraud- prevention and risk-reduction tools are the most important features to consumers when they consider incorporating mobile into their payments process. When asked about the use of smartphones in conducting different types of payment transactions, we saw that consumers were very interested in taking part in protecting their accounts by using mobile tools to monitor and track payments. We did not see quite as much interest from the respondents in actually using their smartphones to make payments. We asked our respondents whether, if they were able to use a smartphone to make a payment, they would prefer to scan, tap or push a button on their screen. For now, the most-preferred method of paying appears to be through scanning (bar code, QR code, etc.) with a smartphone or other mobile device, with 21 percent of respondents indicating this as their preference. It will be interesting to see how both interest levels and particular preferences change with the roll-out of Apple Pay and other new offerings that could increase the adoption of mobile payments.

- **Use of rewards or offers continues to be the biggest controllable factor of influence on which card a consumer uses to pay.** However, even with the use of rewards, some consumers chose to use debit cards to closely manage their daily spend/budget, while other consumers use multiple cards and can be more easily influenced to change. Analytics can also help issuers understand how customers prefer to pay. The issuer can then use that information to build strategies utilizing rewards and special offers that target those customer segments most likely to change their behavior.

II. DETAILED FINDINGS

A. Consumer Payment Choice and Decision Drivers

> *Consumer payment preferences*

Generally, our findings in this segment of the study were consistent with prior years: Debit remained the preferred payment type, followed by credit and then cash. We did observe a decrease from our 2013 study in both debit and cash as the preferred payment types. Due to this decrease in debit and cash, we saw minor increases across other payment forms like alternative payments, checks and charge cards. There was also an increase in the number of respondents who do not have a specific preference when it comes to their payment choices, although this group still represents a small portion of our respondents. Credit card preference is likely attributable to the fraud and risk concerns of consumers. Eighty-nine percent of respondents felt that it was safe to use their credit card, while that number dropped to 83 percent for debit cards. With all of the recent news around fraud and data breaches, consumers are more focused on the safety of making purchases. According to a recent TSYS white-paper, *"Opportunity Knocks: How Card Issuers Can Address Consumer Concerns Around Payment Security,"* 83 percent of respondents said they were aware of recent breach incidents. Seventy-five percent of those respondents said they heard about the incidents through media coverage.

Debit vs. Credit: Preferred Payment Type

	2013		2014
Credit	35%	➔	35%
Debit	49%	➔	43%

As in prior years, we asked respondents to indicate which features they most value in their preferred payment type. For our 2014 survey we decided to be more specific, asking about their preferred credit card as well as their preferred debit card. Having a purchase deducted directly from their checking account and the ability to get cash from an ATM were the leading drivers of the consumers' preferred debit card.

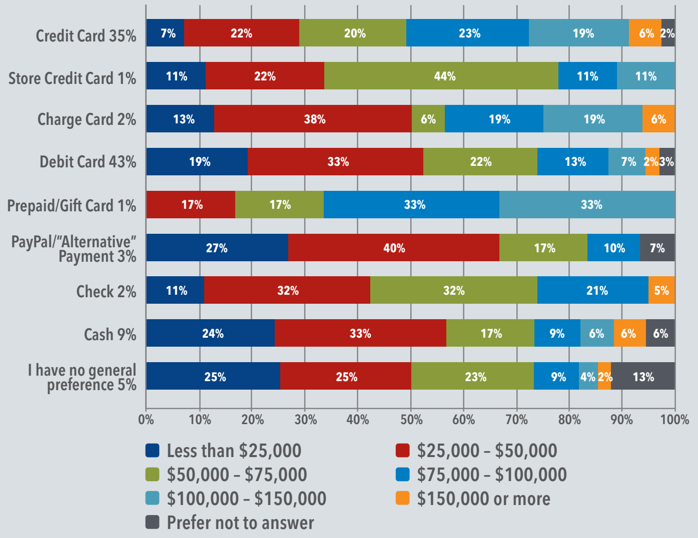
For credit, consumers most valued the rewards, card brand, and payment options/flexibility their card offered. The value-added features like text alerts were rated higher than in last year's survey. These value-added

What feature(s) do you most value with your preferred debit card?	Response
Ability to have purchases deducted directly from my checking account	66%
The ability to use the card at ATMs to get cash	55%
Ability to see my pending transactions instantaneously	46%
The ability to use the card both at physical stores and online	44%
The ability to know that I will not be liable for transactions if my payment information is used fraudulently by someone else.	37%
Ability to get cash back when making a purchase	35%
The ability to use the card at ATMs to make deposits	29%
Knowing I have access to customer service representatives by phone to answer questions or straighten out problems with the card account.	29%
The rewards or offers associated with the card	24%
The ability to get a replacement card/payment vehicle immediately	24%

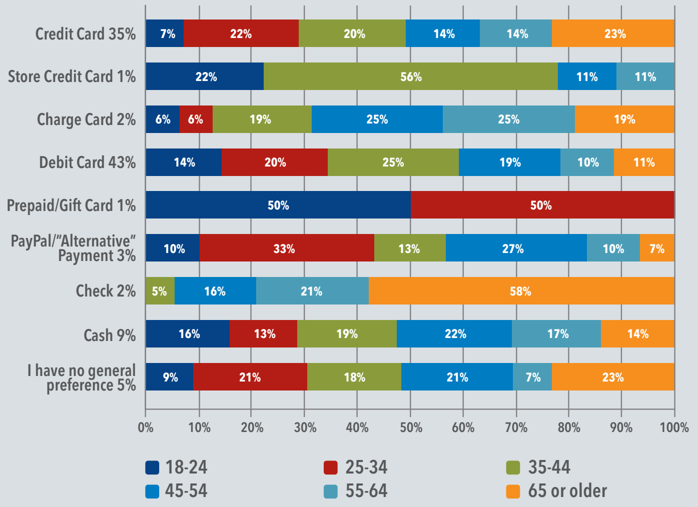
What feature(s) do you find most attractive on your preferred credit card?	Response
Types of rewards	52%
Card brand (Visa®, MasterCard®, AMEX®, Discover®)	33%
Payment options / Flexibility	30%
Finance charge / Interest rate	24%
Customer service provided by the issuer of my card	22%
Alerts / Mobile options	15%
Ability to select my card design	14%
I only have one credit card	14%

services will continue to be something consumers look for in the future, as they increase their ability to control the risk associated with their accounts. These features also represent differentiating factors when financial institutions position their cards with consumers.

Preferred Payment Type by Income



Preferred Payment Type by Age



> ***Income and age effects on payment preferences***

In 2014, we continued to observe higher-earning respondents being over-represented in the credit category and under-represented in the debit category (see final section for demographic breakdown). The highest earners, those earning more than $150,000, were equally represented in the cash and credit categories, but under-represented in the debit category. This could be indicative of these consumers taking advantage of credit card reward offerings when making purchases and using cash for small dollar transactions. Lower- and middle-income respondents — those earning less than $25,000 or between $25,000 and $50,000 — were over-represented in the debit category. Cash as a preferred payment type was over-represented in the less than $25,000 income category. This finding is similar to what we saw in 2013.

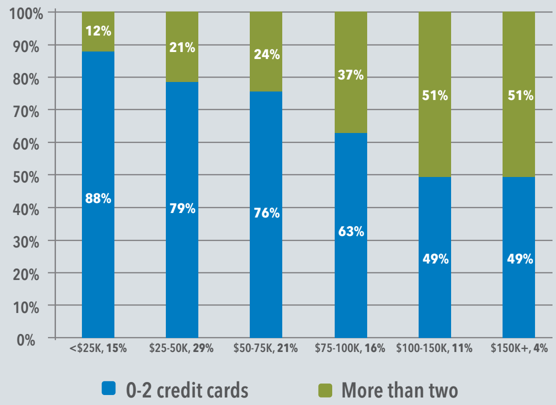
We observed some distinctive differences between age ranges in payment preferences. The most over-represented age range of those who prefer to pay using their credit card was 65 and older, while respondents age 18-24 were the most under-represented in choosing credit as a preferred method of payment. Of respondents who prefer to pay using their debit card, the 35-44 age range was the most over-represented. Respondents age 18-24 and 45-54 were also over-represented in preferring debit as their payment method. The younger respondents age 18-24 and respondents in both the 45-54 and 55-64 age ranges were over-represented in the group who prefer to pay with cash. We only saw two age groups represented in respondents who prefer to pay using prepaid or gift cards. That group was equally split between 18-24 and 25-34 aged respondents. Not surprisingly, we found the oldest age group was by far the most represented in respondents who prefer to pay with checks. PayPal and alternative payments were most popular with the 25-34 age range. When formulating marketing strategies, rewards, or new product offerings, it is important that an issuer understand the payment preferences across all customer demographics.

We also asked survey respondents to indicate how many of each payment/card types they currently have. Credit was the only category for which respondents consistently reported having multiple cards. Again, income appears to factor into how many cards a consumer has. Income and the number of credit cards owned are positively correlated, with competition for wallet share highest among those with income of $100,000 or higher.

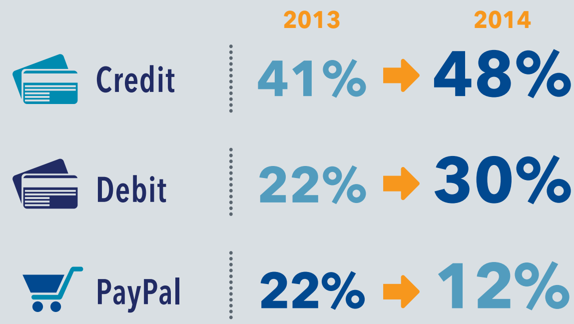
> ***Location effects on payment preferences***

Turning to preferences by location, our findings were again mostly consistent with prior years. Debit is the preferred payment type for everyday purchase categories at supermarkets, gas stations and discount stores. In our 2013 study, we did observe two "flips"— where credit exceeded debit — in the dine-in restaurant and department store categories. Our 2014 study showed credit continuing to exceed debit in the department store category, but for the dine-in restaurant category we observed gains in debit equal to credit as the consumers' preferred payment choice. The top ranking of payment-type preference when shopping online did not change from last year – credit remains the preferred payment type. We saw a fairly significant decrease in the preference for using PayPal this year compared to our 2013 survey (12 percent in 2014 compared to 22 percent in 2013). In addition to the increase in credit use online, we also saw an increase in the use of debit for online purchases (30 percent in 2014 compared to 22 percent in 2013). In our 2014 study, respondents who preferred debit as their online payment type more than doubled the number of respondents who preferred to use PayPal for online payments. In 2014 we continued to note that consumers, overall, still prefer to use cash for small-dollar purchases like those at coffee shops and fast food restaurants.

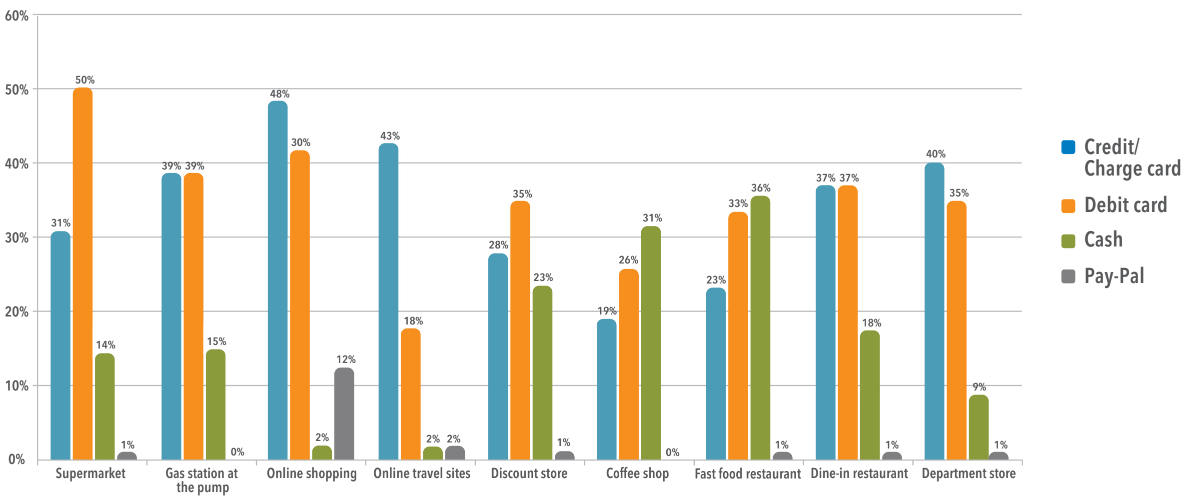
Number of Credit Cards by Income



Online Shopping Preferred Method of Payment



Which form of payment do you use most often in each of the following locations?



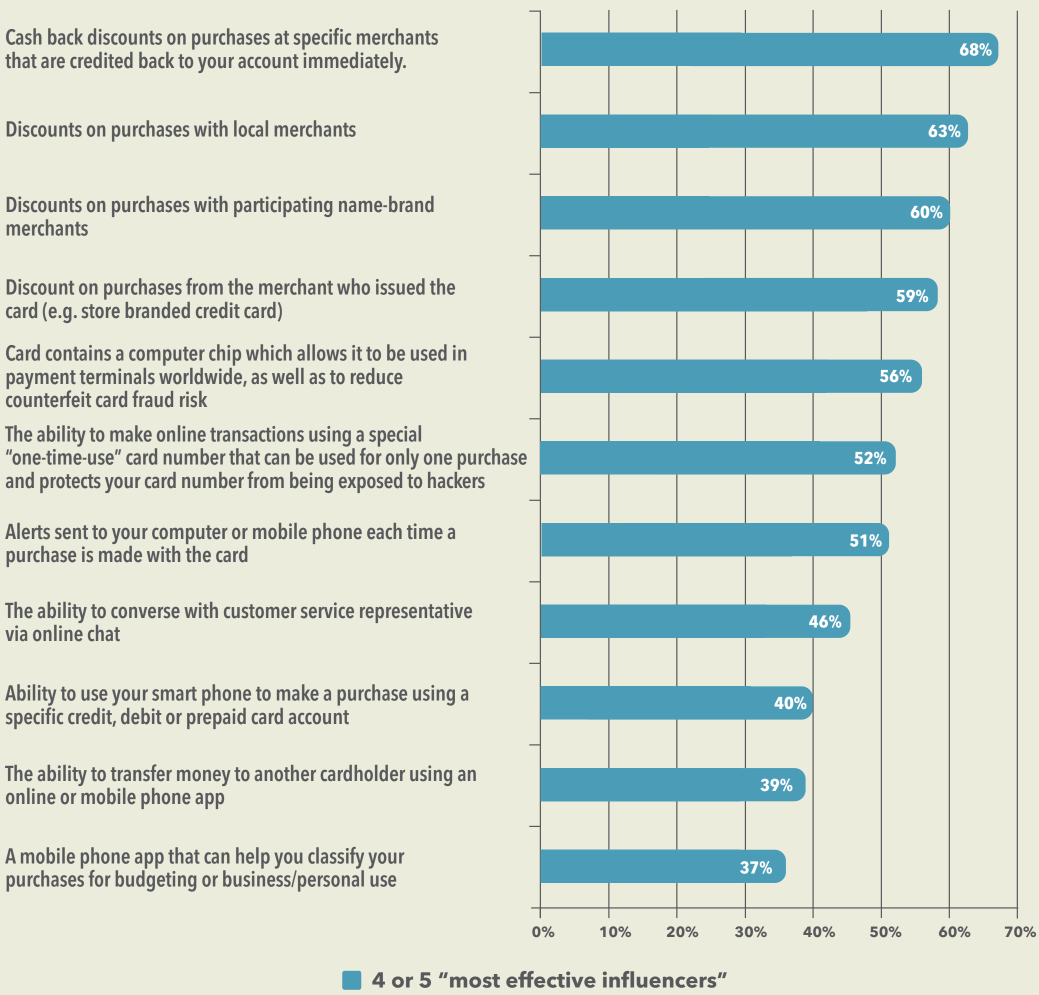
B. Payment Choice Influencers

Issuers are always considering additional payment card features in an effort to influence consumer behavior. We once again asked our survey respondents to indicate, on a scale of one to five (with five being the most effective), what features would lead them to use one payment card over another.

Our previous findings demonstrated considerable durability. Monetary inducements like discounts and rewards took the top four spots, with around 60 percent of all respondents indicating fours or fives when given specific examples. Features which help prevent/control fraud received high marks from over half of the consumers surveyed.

The largest increases in year-over-year influencers both come from the fraud and risk responses. For most effective influencers, we saw a 6 percent increase in a card that contains a computer chip that allows it to be used at payment terminals worldwide and reduce counterfeit card fraud risk. There was a 5 percent increase in alerts being sent to one's computer or mobile phone each time a purchase is made with the card. Frequently discussed features like mobile payments and person-to-person transfers ranked lower, consistent with results from 2013.

Please rate the following features in terms of how effective each would be towards influencing you to use one payment card more



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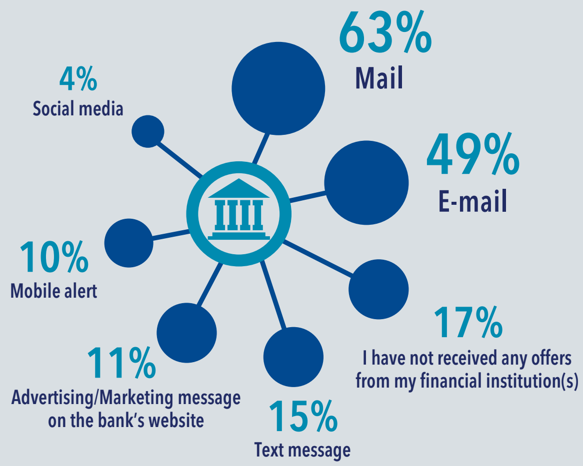
C. How Consumers Received Offers and What Actions They've Taken

> *Bank offers*

In our 2013 study we asked respondents to select from a number of options about those offers they had received from their bank. This year we decided to alter our question to ask consumers ***how*** they received offers from their bank. The overwhelming majority of people received offers from their financial institution by either traditional mail or email. Following mail and email, there was a sharp decrease for people who received offers by text message, mobile alerts, or advertising messages on the financial institution's website. Only 4 percent of respondents said they received an offer from their financial institution through social media, while 17 percent of consumers said that they did not receive any offers from their financial institution in the past year. Eleven percent and 10 percent said they received offers on their banking website and through mobile alerts, respectively. As adoption increases of the mobile alert as a risk-management tool, and as financial institutions become more dynamic with mobile applications, we believe that people will begin to receive more offers through their mobile phone. However, financial institutions need to remain careful not to deter mobile adoption by being too aggressive when using tools to market through the consumers' mobile devices.

How have you received offers from your financial institution in the past year?



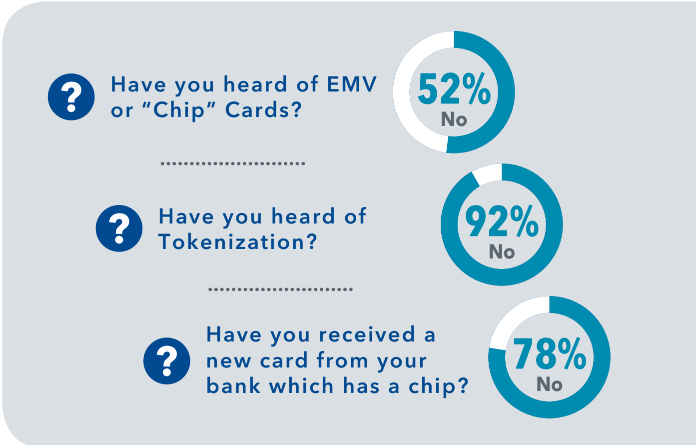
> *Consumer Actions*

We surveyed consumers regarding the actions they took last year, and we were able to compare those answers to the prior year's study. The most popular action taken was using a credit card on file with an online retailer to make a purchase. This number remained unchanged from our 2013 survey. Responses also remained consistent for the number of people who registered their cards with the online retailer they used most often. There was no change in the number of people using an online person-to-person money transfer. Responses to credit solicitations and new use of reloadable prepaid cards also remained consistent. We did see increases in the number of people who used their mobile device to make a payment at a retail location. Decreases were observed in the number of consumers who took advantage of a discount on their online statement, as well as in those who opened a PayPal account for online or retail purchases.

Please select the following statement(s) that best describes the actions you took in the last year?	% PY▲
I made a purchase(s) using a credit card I have on file with the online retailer I shop with most often (Amazon, Google Play, iTunes, Etc.)	47%
I made a purchase(s) using a debit card I have on file with the online retailer I shop with most often (Amazon, Google Play, iTunes, Etc.)	31%
I registered my credit card with the online retailer I shop with most often (Amazon, Google Play, iTunes, Etc.)	29%
I opened an account with PayPal to make online or in-store purchases	28% v
I sent money to another person utilizing a "person-to-person" money transfer service separate from my online bill pay service	21%
I registered my debit card with the online retailer I shop with most often (Amazon, Google Play, iTunes, Etc.)	21%
I took none of these actions in the last year	21%
I took advantage of a discount I saw on my online statement	10% v
I made a payment at a retail location with my mobile device	9% ʌ
I responded to a credit card solicitation I received in the mail	9%
I began using a reloadable prepaid card (BlueBird, GreenDot, etc.)	7%

D. Advanced Card Security

We are seeing a number of new card features being introduced in the U.S. market to help increase card security. Chip and tokenization have been the hot topics in card security for 2014. We included questions in this year's study to gauge our respondents' knowledge of and interest in these two standards. Forty-eight percent of respondents said that they had heard of EMV/Chip cards, while 14 percent said they had already received a chip card. Eighty-four percent of those who received a chip card indicated they had no trouble when using it during the payment process. Many chip card terminals have not yet been enabled, which causes chip cards to continue to be processed as mag-stripe cards. Issuers will need to continue to educate their customers on the new technology and expect questions during the initial chip roll-out.



After watching a short video clip about how chip cards work, 66 percent of respondents said that the process seemed no more difficult than using their current card – and that it would make them feel safer. Another 16 percent indicated that it ***does*** seem more difficult to use, but that they would feel safer when using their card while shopping.

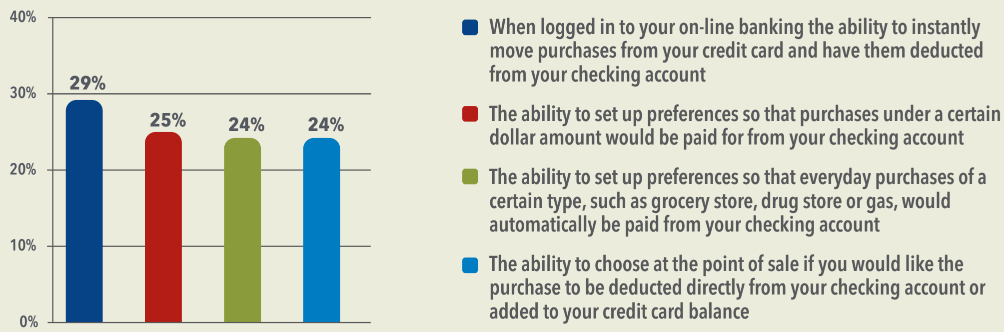
Respondents were not as familiar with the term tokenization as they were with EMV/chip. Only 8 percent of respondents said they had heard of tokenization. After we explained that tokenization replaces the card number with another unique value, only 16 percent of respondents said that they would take extra steps necessary to request a token, and only 12 percent said this would make them more willing to use their mobile phone to make a purchase. While respondents to the question about tokenization indicated a low interest in taking extra steps to secure a token, 52 percent of respondents indicated in an earlier question that a similar process would be an effective influencer in using a particular card. It will be interesting to compare results next year once payment offerings that utilize tokenization features, such as Apple Pay and other mobile payment options, have become more widely offered.

E. Alternative Payment Options

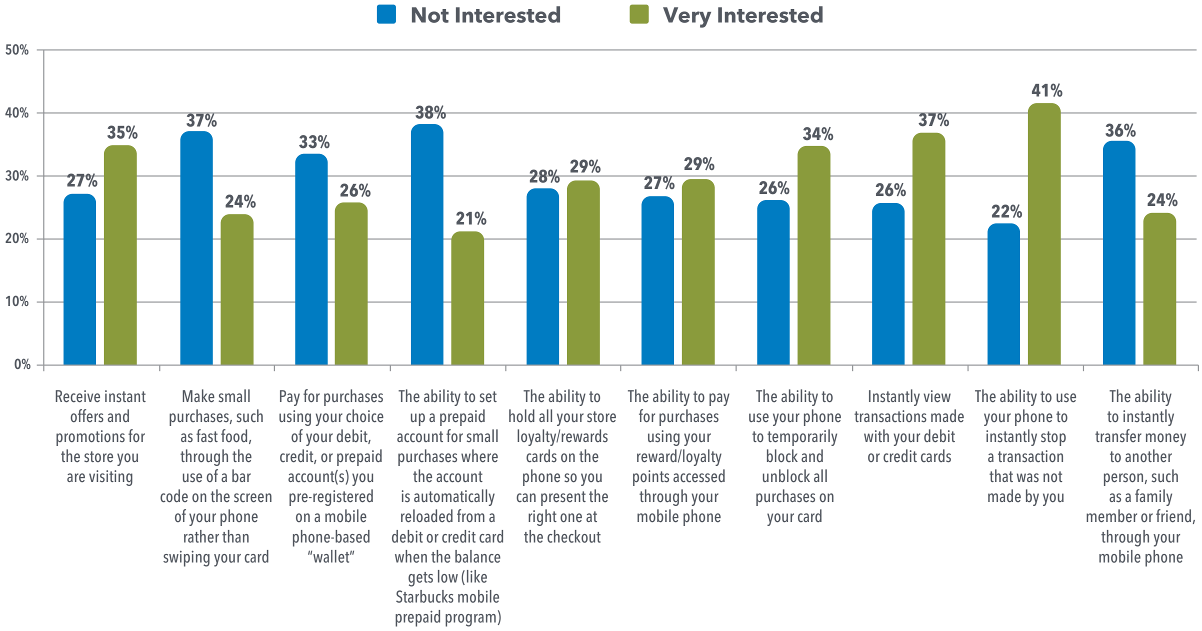
Some financial institutions offer alternatives to the traditional card payment methods. Hybrid and "combo" cards are a couple of products that allow more control and payment flexibility for the consumer. Hybrid cards allow the cardholder to set payment options based on the type of purchase or dollar amount. Combo cards allow for the consumer to select at the point of sale whether they would like for the transaction to be processed as debit (amount deducted from their deposit account) or credit (posted to their credit card).

We included a question in this year's survey to gauge the interest of hybrid or "combo" cards. More than half of respondents indicated that they would be interested in these

How do you prefer to use new options that allow payment flexibility?



Please rank your interest in the following services if they were available on the mobile phone you carry.



new payment options. Twenty-nine percent of respondents who were interested in these options said they would like the ability, while logged onto their online banking site, to move purchases from their credit card to one of their bank accounts. Twenty-five percent of respondents said they would like the ability to set up preferences so that purchases under a certain dollar amount would be paid from their checking account. Respondents also showed an interest in the ability to set up preferences based on the type of merchant, as well as the ability to choose at the point of sale how the transaction will be routed.

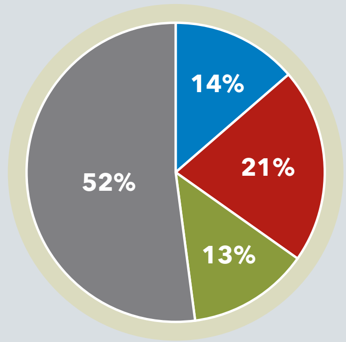
Compelling Mobile Features

F. Mobile

The industry continues to believe that there will be a wider adoption of mobile payments in the near future. While our survey results currently indicate that consumers are more interested in increased non-payment functionality on their mobile device, this is likely to change as mobile payment options become more widely available. We randomly presented ten optional features and asked consumers to rank them in order of interest. Using a convention grouping of high responses (8-10) and low responses (1-3), we were able to get a fairly clear picture of what consumers want most by showing the proportion of respondents that fell into each category and option. Tools that assist in fraud prevention occupied three of the top-four slots. The only other features that were at or near "net positive" were discount- and loyalty-related. Although still on the lower end of the spectrum, we did see minimal gains in people who indicated that they were very interested in the actual payment features of mobile, as well as minimal declines in respondents who indicated they were not interested in those same features.

This year we added a question that asked respondents which option would be most appealing when paying with a mobile phone. We allowed the respondents to choose between tap, scan and "push a button on your screen" in using mobile to pay for in-store purchases. They also could indicate no interest in any of the options. We found that almost half of the respondents who are willing to use their mobile phone for in-store purchases preferred to scan using a Bar/QR code. This technology is currently being used in the Starbucks app for in-store payments and is also being piloted by a large fast food chain. As industry participants continue to try and increase mobile adoption, it will be important to listen to consumers about their preferences regarding how they are most willing to use their mobile phone when making payments.

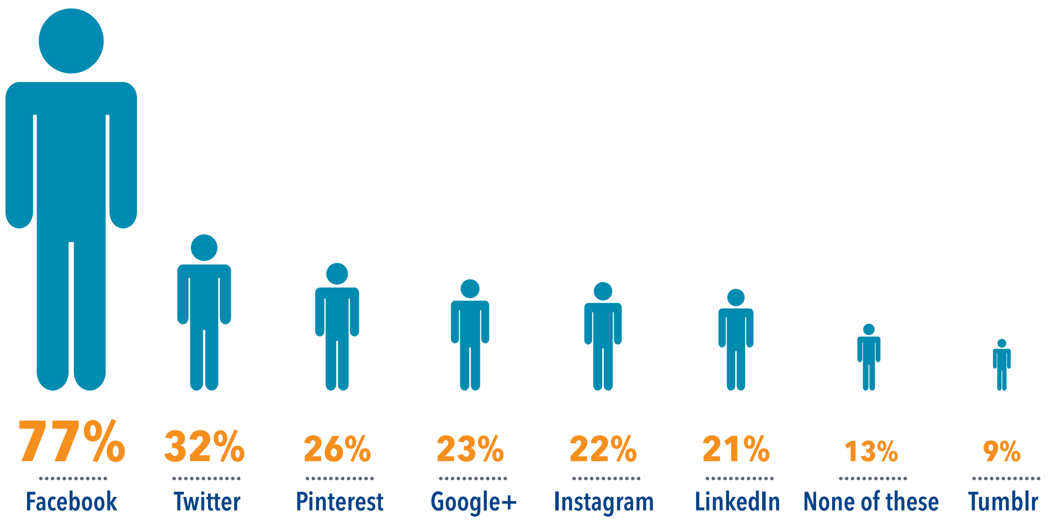
Which option would be most appealing when paying with your mobile phone?



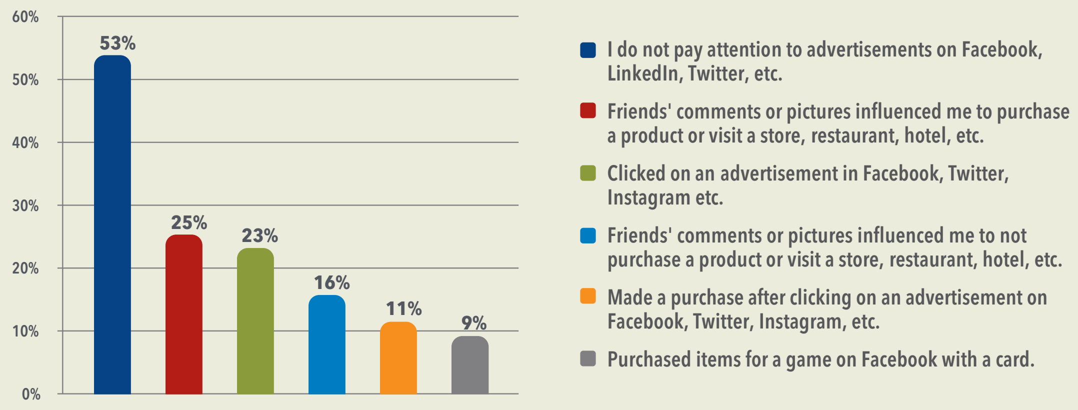
G. Social Media

Almost 90 percent of respondents indicated they use some form of social media (Facebook, Twitter, LinkedIn etc.). Predictably, age played a part in our response profile, with the portion that uses social media exceeding 90 percent among those 18-24 and 25-34. Although the respondents 65 or older were the least likely to utilize social media, they still exceeded 70 percent use. We saw an increase of approximately 20 percent over last year's study in the number of users for the 65 and older group. This increase may be attributable to the growth of social media and/or the addition of social media response options in our 2014 study.

Which of the following social media sites do you use?



Please select an action you took in the past year.



Half of our respondents claimed to pay no attention to advertising on social media sites. We also found that friends are more influential than social advertisements when it comes to purchase decisions. To be more specific, friends' positive comments were a larger influence on making a purchase than friends' negative comments were in deterring a purchase.

III. ISSUER IMPLICATIONS

Regardless of the payment type or offering, consumers remain focused on security, ease of use and control over their various payment options, while also being influenced by factors such as rewards and special offers. Issuers who incorporate these features into new or expanding offerings will likely see the greatest adoption.

Enhanced Security Offerings

Consumers have a heightened awareness of security when it comes to their preferred payment cards. In our study *"Opportunity Knocks: How Card Issuers Can Address Consumer Concerns Around Payment Security,"* 63 percent of consumers indicated they would likely switch accounts in order to obtain more robust security features. We also found that many features that appeal to consumers are those which increase the security of their cards or protect their information. Chip cards are being issued to a much broader number of U.S. consumers. After viewing a short video clip on how a chip card works, 66 percent of respondents said that the process does not seem any more difficult than their normal mag-stripe process, and that they would indeed feel safer making purchases with a chip card.

The use of tokens in place of the actual card number also helps to reduce risk. Only 8 percent of our respondents said they had heard the term tokenization before our survey. After explaining tokenization, we asked the respondents if it would change the way they made purchases in certain situations. We did not see much change in the response. However, interestingly, when the concept was included on a question about what would influence them to select one payment option over another, 52 percent of the survey respondents said that it would be a very effective influencer. **When expanding security features, issuers should consider enhancing customer education programs and continue to ensure payment cards remain easy to use.**

Control and Ease of Use

Consumers are interested in payment offerings that are intuitive and easy to use. Consumers who had an interest in using their mobile phone to make payments indicated that, for now, scanning (bar code, QR code, etc.) is the most appealing way to pay with their phone. Consumers have been introduced to using their phone to scan QR or bar codes through many other industries. This technology is currently used, for example, in the travel industry for airline passengers' boarding passes. QR and bar codes are also used in the retail industry for consumers to receive offers and discounts while shopping. There are also mobile applications that allow consumers to scan bar codes on food packaging to get nutritional information. These are just a few examples of where mobile scanning technology has been adopted by consumers. These current instances of consumers scanning codes with their smart phones may make them more

Public Service Company of New Hampshire
d/b/a Eversource Energy
Docket No. DE 19-057

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comfortable in extending scanning to the payments process. **In order to increase adoption of new payment methods, it will be important for issuers to provide consumers with methods that are either familiar or easy to use.**

Recognizing the control consumers want to exercise over their payment methods, some issuers offer cards that allow consumers to pay in multiple ways. Others are expanding the use of mobile wallets and online checkout methods that store multiple payment types and options. In our survey, we asked: "There are a number of new payment options that allow users more flexibility when paying for purchases with a single card. Please choose which of the options below would interest you if you had a card that gave you this flexibility." Fifty-five percent of consumers indicated that they were interested in the enhanced flexibility of having multiple ways to pay with one payment vehicle. The majority of respondents that were interested in this flexibility said that they would like the ability to, while logged on to their online banking site, move purchases from their credit card to another account. This is another instance of consumers being comfortable with this method because they have already been using their online banking systems to transfer money between accounts. **Consumers typically have preferences for how they pay in certain types of transactions, and providing them with increased control and options for doing this can increase overall use.**

This year, consumers again indicated that they like being provided with tools that enable them to proactively monitor and track their accounts. Some of these controls are currently of particular interest when provided as a mobile option. Three of the top four rated mobile phone features we asked about were fraud-prevention items (ability to view transactions to ensure accuracy; instantly stop a transaction; temporarily block or unblock the card). These features may be delivered through alerts sent to a cardholder's mobile device indicating that an action has been taken using his/her card, or with authorization controls that allow users to turn their card "on or off" or set use parameters. **Although consumers believe merchants are responsible for ensuring the security of their payment information, they are also willing to proactively use tools and features to monitor their accounts.**[1]

Influencing Factors – Rewards and Special Offers

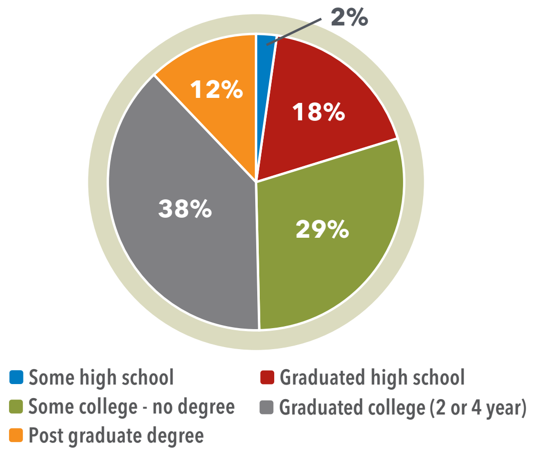
We've found in multiple years of our studies that rewards and offers are the single biggest influencers in changing which payment card a consumer uses. Many consumers use debit and credit for specific types of purchases, some use both, and yet others have multiple credit cards. Being able to influence the consumer to make your card their front-of-wallet card — both in their physical wallet and online — is becoming increasingly important. Issuers may have multiple reward offerings to target different segments of their card portfolio, or to try and increase spending in certain locations. It is important for reward programs to be properly tailored to allow the issuer to achieve its desired outcome. **Using a robust analytics program that will analyze an issuer's card portfolio and how cardholders pay will lead to the most success in issuers' campaigns to influence cardholder behavior.**

[1] TSYS *"Opportunity Knocks: How Card Issuers Can Address Consumer Concerns Around Payment Security."* Sixty-four percent of consumers believe merchants are responsible for data breaches, and that banks and card networks are responsible for notifications/making it right.

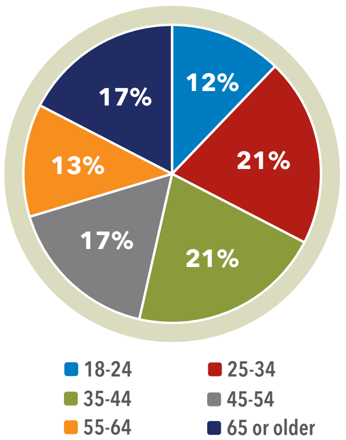
IV. ABOUT THE ONLINE SURVEY RESPONDENTS

We surveyed more than 1,000 consumers who owned a debit card and a credit card. Thirty-nine percent of respondents were men and 61 percent were women. Survey demographics were geographically proportionate by region. Primary credit card relationships were mainly with banks (76 percent) followed by credit unions (14 percent). Consumers also had primary credit card relationships with retailers (3 percent) and airlines (2 percent). Five percent of consumers indicated their primary card relationship as "other." The majority of other responses indicated relationships with American Express or Discover. Additional information regarding our survey respondents follows:

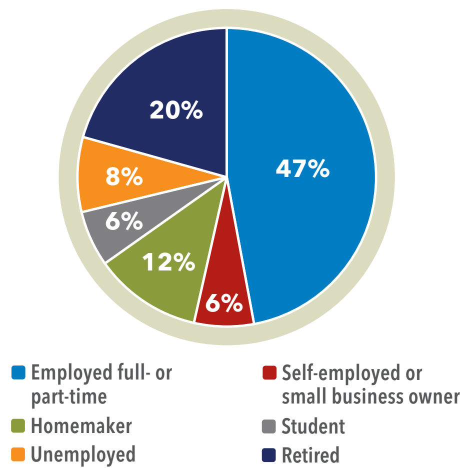
Education



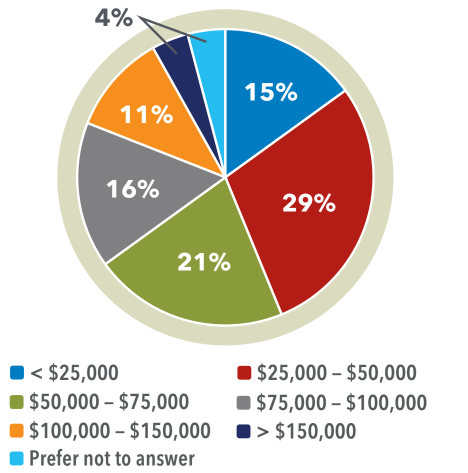
Age



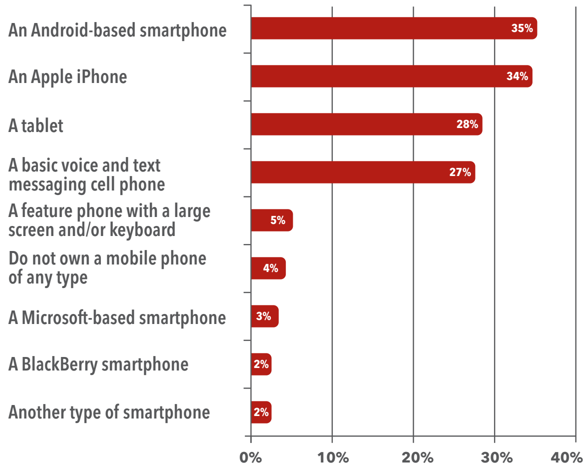
Employment



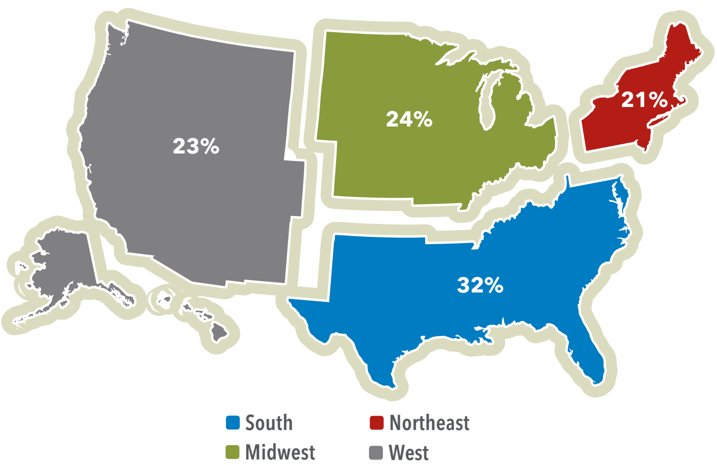
Income



Mobile Device Type



Region



Public Service Company of New Hampshire
d/b/a Eversource Energy
Docket No. DE 19-057

TSYS®

About TSYS

At TSYS® (NYSE: TSS), we believe payments should revolve around people, not the other way around℠. We call this belief "People-Centered Payments®." By putting people at the center of every decision we make, TSYS supports financial institutions, businesses and governments in more than 80 countries. Through NetSpend®, a TSYS company, we empower consumers with the convenience, security, and freedom to be self-banked. TSYS offers issuer services and merchant payment acceptance for credit, debit, prepaid, healthcare and business solutions.

TSYS' headquarters are located in Columbus, Ga., U.S.A., with local offices spread across the Americas, EMEA and Asia-Pacific. TSYS is a member of The Civic 50 and was named one of the 2013 World's Most Ethical Companies by Ethisphere magazine. TSYS routinely posts all important information on its website. For more, please visit us at www.tsys.com.

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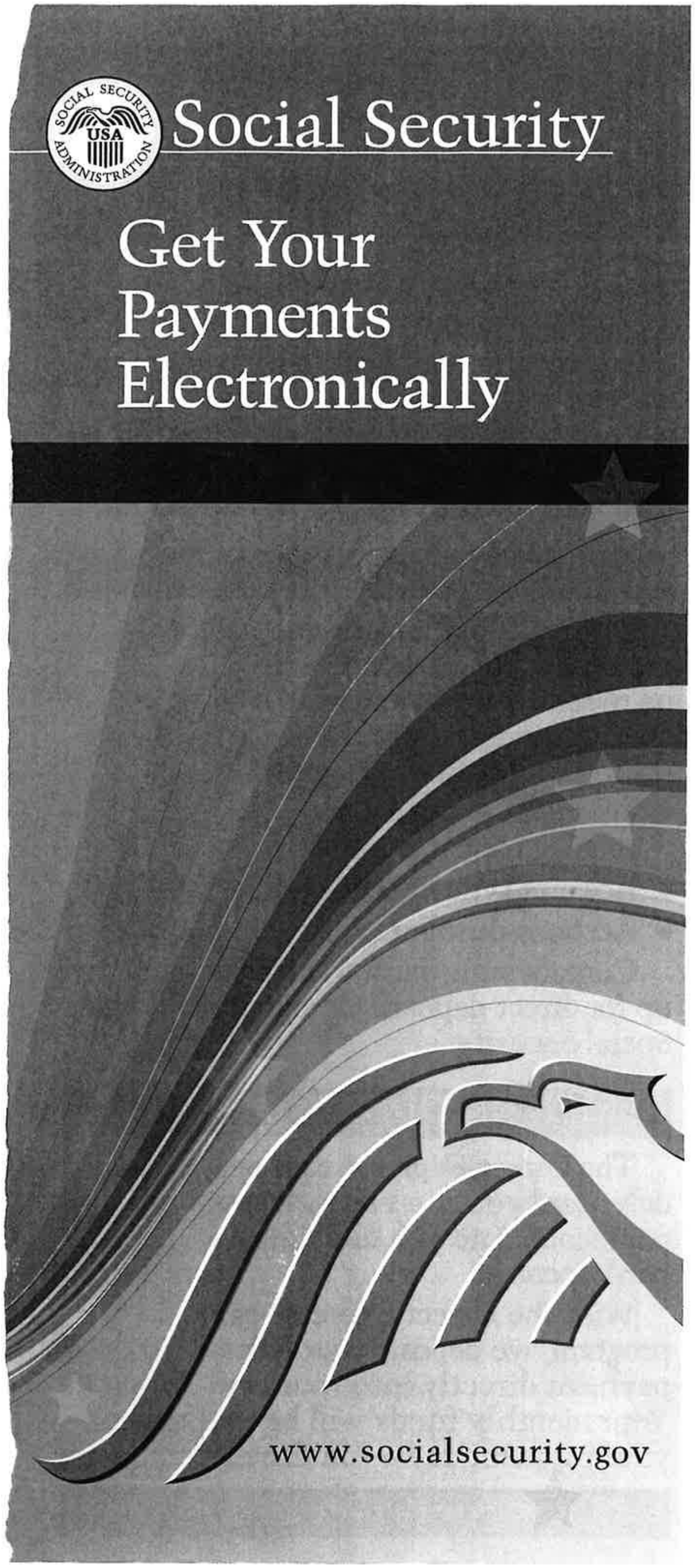
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Get Your Payments Electronically

If you get Social Security benefits, you must receive your payments electronically. You can do so by signing up for direct deposit, which sends payments into your bank account. Or, you can have your benefits deposited into your Direct Express® card account.

Direct deposit

Direct deposit is a simple, safe and secure way to get benefits. If you wish us to send your payment to a bank or credit union account, have the following information when you apply:

- Financial institution's routing transit number;
- Account type (checking or savings); and
- Account number.

Contact your bank to help you sign up for direct deposit. Or sign up through Social Security.

What is the Direct Express® card?

The Direct Express® card is a debit card you can use to access your payments. And you don't need a bank account.

With the Direct Express® card program, we deposit your federal payment directly into your card account. Your monthly funds will be available on your payment day — on time, every time.

www.socialsecurity.gov

Public Service Company of New Hampshire
d/b/a Eversource Energy
Docket No. DE 19-057

[redacted]

You can use the card to make purchases, pay bills or get cash at thousands of locations.

And most transactions are free.

The Direct Express® card is both safer and more convenient than paper checks. Anyone receiving Social Security or Supplemental Security Income payments can enroll even if they don't have a bank account. You no longer have to wait for the mail or worry about lost or stolen checks.

Why should I sign up for electronic payments?

- **Safety.** There's no risk of lost or stolen checks. When reported promptly, your money is protected, even if your Direct Express® card is lost or stolen.
- **Ease.** Your money is automatically posted to your financial account or to your Direct Express® card account on your payment day each month. You won't have to wait for the mail to arrive.
- **Convenience.** You don't need to make a trip to cash or deposit a check. With Direct Express®, make purchases anywhere a debit MasterCard® is accepted. Use your card to get cash back with purchases at retail locations, banks, and ATMs throughout the country.

www.socialsecurity.gov

- If your card is lost or stolen, it will be replaced.

Can I use the Direct Express® card without any fees?

Yes, you can use your card for free. There is no sign-up fee and no monthly account fee. Many other services are provided free of charge, including:

- Purchases at retail locations, cash back with purchases, or cash withdrawals through bank or credit union tellers;
- One ATM cash withdrawal for each deposit posted to your account each month when using a Direct Express® card network ATM;
- Optional notification of deposits to your debit card by phone, email, or text message;
- Optional low balance alert when your account balance falls below a certain level; and
- Access to the toll-free customer service number or website, 24 hours a day, seven days a week.

(over)

my **Social Security** account. You can create an account if you're age 18 or older, have a Social Security number, and valid email and U.S. mailing address. Go to ***www.socialsecurity.gov/myaccount*** and input some personal information to verify your identity. Then choose a username and password to complete creating your account.

You can use your ***my*** **Social Security** account to get a benefit verification letter, to check your earnings and work record, and in some states request a replacement Social Security card. If you receive retirement, survivors, or disability benefits, you can also:

- Change your address and phone number;
- Start or change your direct deposit;
- Request a replacement Medicare card; or
- Print a replacement SSA-1099 or SSA-1042S for tax purposes.

Are there other options for electronic payments?

A third option is an electronic transfer account. This low-cost federally insured account lets you enjoy the safety, security and convenience of automatic payments. You can contact us or visit the website at ***www.eta-find.gov*** to get information about this program, or to find a bank, savings and loan or credit union near you offering this account.

Allsup Life Reclaimed

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Personal Finance > Financial Planning > SSDI Benefit Payment Options

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SSDI Benefits Payment Options

In the past, most people received their Social Security Disability Insurance (SSDI) benefits as a check that came in the mail. Those days are over. Today, most people receive their SSDI benefits by direct deposit into a bank or credit union account. Soon the government will require everyone who gets Social Security benefits to receive electronic payments.

You have two options for electronic payments.

- Direct deposit or
- Debit card

You should review the pros and cons of each of these options to decide which type of payment will work best for you.

Alert -- Social Security is phasing out paper checks.

What This Means to You

If you apply for SSDI on or after May 1, 2011, you will receive your benefits by electronic payment. A paper check will not be an option.

If you applied for SSDI before May 1, 2011, but did not receive your award until after that date, you should choose to receive your benefits by electronic payment. If you opt to receive your payments by paper check, you will have to change over to electronic payments by March 1, 2013.

If you now receive SSDI benefits by paper check, you will have to switch to electronic payment by March 1, 2013. Help is available.

- Visit www.GoDirect.org to help you make the switch.
- Call the helpline at (800) 333-1795.
- Talk to your bank or credit union to set up direct deposit.

If you now receive SSDI benefits electronically, you don't need to do anything. You will continue to receive your payments as usual.

Direct Deposit

Most people receive their SSDI benefits by direct deposit into a bank or credit union account. This is a popular option for many reasons:

- **It's convenient and reliable.** The money is deposited into your account on your payment day each month. You then have immediate access to your money from virtually anywhere.
- **It's low or no cost.** Many banks offer free checking accounts with no minimum balance. You also may be able to pay your bills electronically or use the bank's ATMs at no additional charge.
- **It's secure.** The money in your bank account is protected and insured up to $250,000 by the FDIC.
- **It can help you manage your money.** Electronic banking makes it easy to track your expenses and manage your accounts.

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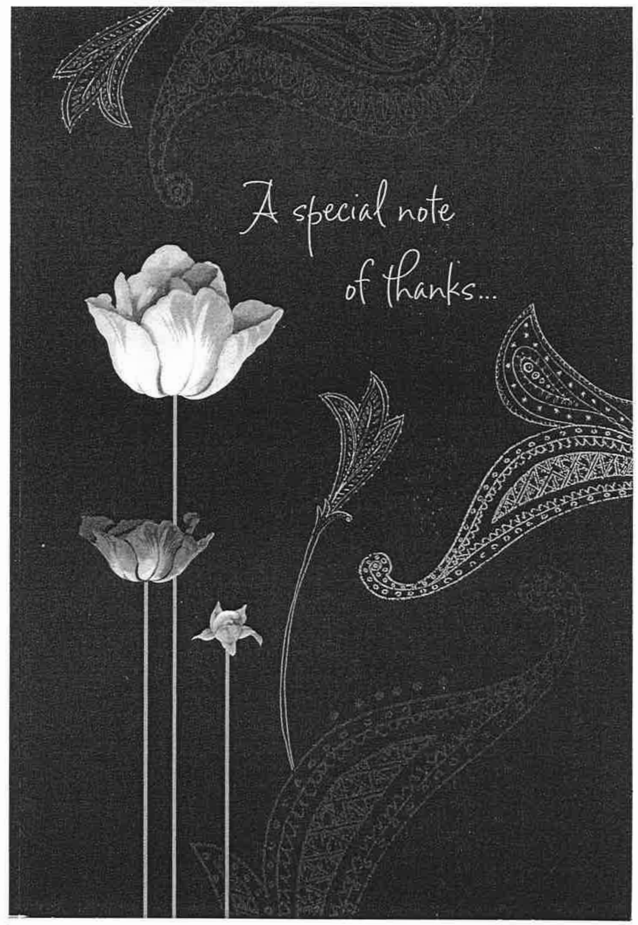

Hello Ms. Keough:

Thank you so much for allowing me to be placed in the New Start Program.

In 2013 When my husband seperated himself from our marriage of almost 23 years - everything fell to pieces. It's been a long hard ~~trip~~, I will be done with college in a year - but I am doing much better then before. So much good will always come your way!

...straight from my heart.

[redacted]

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NATIONAL CONSUMER LAW CENTER®

Helping Low-Income Utility Customers Manage Overdue Bills through Arrearage Management Programs (AMP)

September 2013

Charlie Harak
National Consumer Law Center®

Public Service Company of New Hampshire
d/b/a Eversource Energy
Docket No. DE 19-057
Attachment PMC-8 (Perm)
May 28, 2019
Page 2 of 38

ABOUT THE AUTHOR

Charlie Harak is senior attorney on energy and utility issues at the National Consumer Law Center (NCLC), Inc. He represents consumers before regulatory agencies, legislative bodies, and other policy forums; provides legal and technical support to low-income advocates, legal services lawyers, and government officials; and leads workshops and training sessions for lawyers and advocates. He is the author of numerous publications, including *Utilities Advocacy for Low-income Households, Guide to the Rights of Utility Consumers, Up the Chimney: How HUD's Inaction Costs Taxpayers Millions and Drives Up Utility Bills for Low-Income Families*, and *Access to Utility Service* (co-author and editor). Mr. Harak is a member of the Massachusetts Energy Efficiency Advisory Council. He earned his B.A. from Cornell University and his J.D. from Northeastern University, and is admitted to the Massachusetts bar.

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ABOUT THE NATIONAL CONSUMER LAW CENTER

Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the United States. NCLC's expertise includes policy analysis and advocacy; consumer law and energy publications; litigation; expert witness services, and training and advice for advocates. NCLC works with nonprofit and legal services organizations, private attorneys, policymakers, and federal and state government and courts across the nation to stop exploitive practices, help financially stressed families build and retain wealth, and advance economic fairness.

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EXECUTIVE SUMMARY

Across the country, low-income customers struggle to pay their utility bills. Their incomes are simply too low to keep up with gas and electric bills. Fortunately, Massachusetts has one of the strongest panoplies of low-income programs and policies in the country to make sure low-income households can maintain critical utility services. These programs include protections against termination for the most vulnerable (elderly customers, households with someone seriously ill, or an infant under 12 months); a well-designed fuel assistance program that targets the highest payments to those with the lowest incomes and the most expensive heating sources; discounted utility rates for low-income customers; and Arrearage Management Programs (AMP programs or AMPs).

The Massachusetts AMP programs provide relief for low-income gas and electric utility customers who have significant past due amounts (arrears) on their utility bills. Each time an AMP participant makes a levelized monthly payment, the arrearage is reduced until it is completely eliminated. The AMP program is an important tool to respond to spiraling energy costs and the increasing numbers of utility customers who cannot afford to pay their bills, particularly when the customer gets behind and is asked to pay off both current charges and the arrears.

The AMP programs are a major success in Massachusetts. Customers avoid utility termination and can obtain a fresh start by making payments during the plan. Just as importantly, the customer enters into a cooperative relationship with the utility, increasing the likelihood that the customer makes whatever payments she can afford to make rather than ceasing to make payments altogether. Moreover, a positive relationship allows the utility to insure that the customer receives fuel assistance benefits, low-income discount rates, and energy efficiency services to which the customer is entitled. In some cases, the customer may also receive advice on budgeting, other public benefits, and financial management.

Other ratepayers and the utilities also benefit from the AMP program. The best available evidence is that AMPs have a positive impact on utility revenues—customers in the plan make higher payments than if they were not in the plan and continue to make higher payments even after completing the plan. The utility's costs to administer the AMP are offset by reduced collection and termination costs with these reduced costs leading to lower rates for all ratepayers. Perhaps the best evidence that AMP is good for utilities is the enthusiasm with which Massachusetts utilities — including high-ranking executives — embrace the program.

State agencies are also enthusiastic about the AMP program. It is in the state's interest to have fewer utility terminations. Beside the direct benefit of avoiding disconnection for some of its citizens, an AMP also helps the state avoid the indirect costs of utility terminations – increased fires as residents turn to other forms of heat, increased Medicaid expenses as disconnected customers become ill, and increased costs due to higher numbers of homeless and decreased school attendance.

This report details how the AMP program works in Massachusetts and how each stakeholder benefits. The report also examines some of the best practices in designing an AMP based upon the Massachusetts experience, including standards for income eligibility and guidelines for customer challenges (e.g. missed payments). The design issues will be relevant to those in Massachusetts interested in the development of an optimal program, and also to those in other states interested in implementing an AMP.

Whatever the specifics of a particular AMP design, the Massachusetts experience clearly establishes that the program is a success for all interested parties, should be continued, and should be expanded to as many eligible Massachusetts customers as possible. Those in other states should consider implementing a similar program to help low-income customers avoid utility termination. Massachusetts demonstrates that a properly designed program benefits not just low-income customers, but other ratepayers, the utilities, and the state.

Best Practices for Designing an Arrearage Management Program (AMP)

Following are key issues to consider when designing an AMP program based on the experience of representatives from utilities, advocacy groups, and state government in Massachusetts.

Should enrollment in an AMP be automatic or only if requested by the customer?
Massachusetts utility data show that automatic enrollments reach more customers but fewer of those participants complete the plan. Even those not completing their AMPs, however, receive benefits from the program. Moreover, certain families who will complete the program after automatic enrollment might never have gotten the chance from an opt-in system. On the other hand, those failing an AMP may never get another chance to enroll. If a utility does not use automatic enrollment, it should make every effort to reach out to its customers to encourage them to enroll, including information in multiple languages, as appropriate to its customer base.

What should be the income eligibility standards?
For ease of administration, Massachusetts AMP eligibility is set at 60% of the state median income (the same cut-off for fuel assistance eligibility and utility discount rates).

How much discretion should utilities have to design their own program?
The Massachusetts model provides limited flexibility so that each utility can design its own AMP program. Of course, standardization ensures that all customers in the state will be treated equally and have the same level of benefits, and state agency review of the program is also simplified. On the other hand, each service territory and service type (gas or electric) has distinct demographics and economic issues. Each utility may also have different computer software systems. Moreover, much can be said for allowing experimentation with different approaches in the early years of an AMP program. It is recommended that one standard name be used for all AMPs within a state to avoid confusion.

Should the customer's level monthly payment be computed to incorporate the amount of fuel assistance payments?
Yes, utilities should use the best estimate of future likely payments. An alternative approach is to use the prior year's fuel assistance amount. That level payment amount can then be adjusted once a more accurate fuel assistance number is available. Including expected fuel payments results in a lower, more affordable monthly payment for the customer.

How fast should the arrearage be forgiven if the customer makes payments?
Experience indicates that the faster the forgiveness, the more likely it is that the customer will complete the AMP and be motivated to make payments. Some utilities in Massachusetts with pilots with slower forgiveness have now switched to faster forgiveness for their programs.

Who should administer the program?
The Massachusetts utility companies screen and enroll customers in the AMPs. However, community action programs (CAPs) assist with education and enrollment as well as financial counseling during the AMP. The CAPs also enroll the customer for other public benefits, such as federal fuel assistance. If a customer is falling behind in an AMP, the CAP can play an important role in getting the customer caught up and back on the plan.

How should utility staff be trained?
Massachusetts utilities that experimented with training *only* the AMP specialists now train all customer service personnel about the program. While the utility's first point of contact should be familiar with AMP, the customer could then be referred to a specialist who can more closely work with the customer to develop the AMP.

What is the role of discount rates and fuel assistance benefits in making monthly payments affordable?
Key to level monthly payments being affordable is the level of federal fuel assistance. (Anticipated fuel assistance receipts are subtracted from the estimated annual energy bill *before* computing the monthly payment amount.) A state or utility has no control over the level of federal fuel assistance funding, but the AMP will work best when this level is adequate. Other ways of reducing monthly payments are also critical, including placing the customer on an adequate low-income rate plan and providing energy efficiency or weatherization services.

What is the relationship of AMPs to a winter moratorium?
AMP payments should be made by the customer during a winter moratorium period. Otherwise, payments after the moratorium may be at an unaffordable level. Too often customers stop making AMP payments during the moratorium which results in their removal from the program. If a consumer makes no payments during the moratorium, it may be unaffordable to catch up on missed payments before the plan expires so that the customer never completes the plan. In many cases, utilities do not offer customers a second chance at a

new plan, so stopping payments during a moratorium can have serious consequences. Companies and low-income advocates should work together to provide customers support in keeping up with their payments.

Should a customer who misses a payment be allowed to remain in or re-enroll in an AMP?
If a customer misses one or two level payments, utilities will remove the customer from the program. All Massachusetts utilities will reinstate the customer if he/she can make up all past due AMP payments before the scheduled end of the plan. Experience indicates that even with low level payments, AMP participants will sometimes have difficulty making a particular month's payment. While it may be appropriate to remove a non-compliant customer from the program, there should be effective, flexible rules to reinstate that individual if the customer gets caught up on AMP payments. Massachusetts utilities offer this option and it is recommended that the ability to reinstate should be effectively communicated to the delinquent participant.

Should an AMP be offered to customers whose service has been disconnected?
AMPs should be available even to those who have been disconnected. Often disconnection is caused by an individual's inability to pay the same arrearage that an AMP plan will forgive. In Massachusetts, there are rules for consumers to reinstate their service while at the same time enrolling in an AMP. This makes sense if the rules for reinstating service are not too onerous on the customer.

Should a customer be allowed to enroll in an AMP a second time?
In Massachusetts, at the end of the AMP plan period—whether the individual completes the plan or not—the individual becomes ineligible to enroll in a future AMP if the individual again gets behind in payments. However, some Massachusetts utilities state that they will offer a second AMP in individual cases. The argument for allowing multiple AMP enrollments is straight-forward. Those in poverty are particularly vulnerable to unexpected events, such as an illness or loss of a job. Thus, even with all the learning experience of the first AMP, sometimes individuals simply need a second fresh start. The counter-argument is that the continued availability of an AMP will encourage customers to build up arrears knowing that they will be forgiven in a second AMP. Utility companies can use their discretion, aided by information from a CAP regarding a client's circumstances, as to whether to offer a second AMP.

I. Introduction

Across the country, low-income customers struggle to pay their utility bills. Their incomes are simply too low to keep up with gas and electric bills.[1] Fortunately, Massachusetts has one of the strongest panoplies of low-income programs and policies in the country to make sure low-income households can maintain critical utility services. These programs include protections against termination for the most vulnerable (elderly customers; households with someone seriously ill or an infant under 12 months); a well-designed fuel assistance program that targets the highest payments to those with the lowest incomes and the most expensive heating sources; discounted utility rates for low-income customers; and Arrearage Management Programs (AMP programs or AMPs).

Since 2008, all Massachusetts electric and gas utilities have offered their customers an AMP. An AMP is a financial assistance program for low-income customers with overdue utility bills. Similar, more limited programs are found in a few other states, but none are of the size and breadth of the Massachusetts program.

This report focuses on the Massachusetts AMP program. It examines how AMPs work, whether the AMP programs have been a success, and issues that should be considered in designing an AMP both in Massachusetts and in other states.

The Massachusetts AMP has won the enthusiastic support of the state's utilities, customers, state agencies, and organizations representing Massachusetts consumers. One audience for this report thus are those interested in replicating an AMP program in other states—utilities, community action agencies, policy makers, state agencies, and legislatures in other states. But the same groups in Massachusetts may find this report helpful because of the discussion of possible program changes to further its goals.

II. The Need for AMPs: Overwhelming Energy Burdens on Low-Income Customers

Hundreds of thousands of low-income Massachusetts households — largely comprised of the elderly, working poor, and families with young children — depend on state-run programs to help keep them warm in the winter and keep the lights on year-round. 200,000 low-income households received assistance in paying their heating bills under the FY 13 Low-Income Home Energy Assistance Program (LIHEAP).[2] Approximately 400,000 were on the discounted gas or electric utility rates in 2012.[3] These numbers help to define just how many households are in need.

LIHEAP-eligible households are estimated to need 15% or more of their total annual income to keep up with their energy bills.[4] Many of course cannot afford to do so. They frequently face termination of their utility service. For example, one major electric utility terminated just under 19,000 electric accounts from March through September 2012.[5] AMP programs provide an additional tool to help struggling low-income families, one that guarantees that service will not be terminated if the customer makes the agreed-upon monthly payments.

III. How AMPs Work

A. The Big Picture

Arrearage management programs (AMPs) offer a fresh start to low-income gas and electric customers who are behind on their utility payments. The utility forgives the arrearage if the customer consistently pays for new utility charges over a period of time (often one year; sometimes longer). As the customer makes regular, on-time payments on new utility charges, a portion of the arrears is forgiven. When all payments for new charges have been made over the length of the plan, the arrears is totally cancelled and the customer has a clean slate.

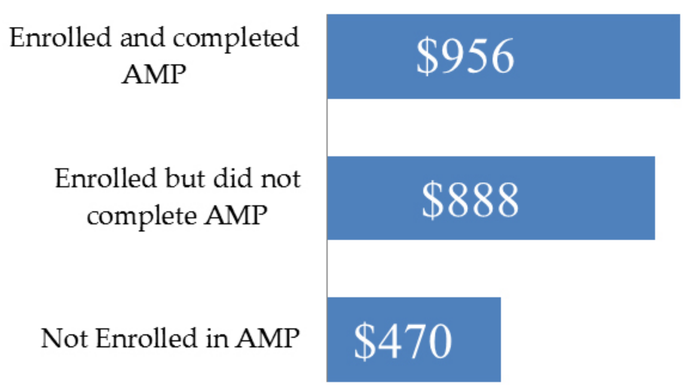
An AMP also puts tools at the customer's disposal to succeed at that fresh start when the plan concludes. These tools include low-income discount rates, fuel assistance, energy efficiency services, and level billing (in which the company estimates what the bills will be over the next 12 months and divides that amount by 12, so the customer is asked to pay the same, level amount each month). To the extent the customer uses these available tools, it is less likely that the company will have to engage in expensive collection actions or write off bad debt, which helps keep the utility rates down for all customers. The customer may receive financial counseling and budgeting assistance and help with applying for other public benefits. By making regular payments during the plan, the customer displays financial discipline and responsibility and develops good budgeting habits. As a result, when coming off the plan and not owing any arrears, the consumer is well situated to make regular payments on future utility charges.

Another key feature of an AMP is that by offering the consumer a carrot of arrearage forgiveness instead of a stick of utility termination, the relationship between the utility and customer is fundamentally altered for the better. Under the traditional relationship, the utility threatens disconnection and asks the customer to make current payments and additional payments toward the arrears. The customer, whose financial problems have already shown that paying current charges is difficult, sees little hope in paying both new charges and catching up with the arrears. The customer thus sees the utility as the adversary, and may avoid the utility's attempts at communication. The utility's response may be additional warnings of disconnection, instigation of collection activities, and furthering the downward spiral between the parties.

An AMP changes this dynamic completely. Instead of threats of disconnection, the utility offers the customer a bonus for making affordable payments. Credit and collection managers at each of the state's utility companies are seeing that consumers respond positively to the AMPs and develop closer working relationships with the utility. With that relationship established, the utility can assist the consumers with their financial problems in a number of ways. It can insure the consumer is receiving low-income discount rates and fuel assistance, and is obtaining energy efficiency or weatherization services. The utility may even provide assistance in obtaining other public benefits, and help with budgeting and financial education.

AMPs are also good for other utility ratepayers, for the utilities, and for the state. Collection and termination costs and uncollectible debt may be reduced. A utility will typically recover a larger percentage of amounts billed from AMP participants than if those individuals were not in an AMP. Data for the one-year period ending October 31, 2012 provided by Columbia Gas of Massachusetts on a random sample of low-income customers shows that the "bill coverage ratio" (the percent of amounts billed that are actually paid by the customer) increased fully 50% when comparing low-income customers not on the AMP versus those who were on the AMP during the same 12 months. Low-income customers not on the AMP paid 44% of the amounts billed. Low-income customers who were on the AMP during the same period paid 67% of the amounts billed, on average. National Grid reports similarly favorable results (see chart below).

AMP Customers Paid More Toward Their Bills



Source: National Grid. Based on a review of 170 random electric accounts (100 low-income customers not enrolled in AMP; 50 customers who enrolled in AMP but failed to complete; and 20 who were in AMP and successfully completed the program). All customers had comparable annual bills ($1,100 ± $60).

These limited data from Columbia Gas and National Grid are consistent with one of the key underlying premises of AMPs: that by providing a way for low-income customers to address accumulated arrearages, those customers are more likely to engage in better payment behaviors. Going forward, after successfully completing the AMP, the customer will be in a better position to make regular payments. Higher revenues benefit other ratepayers and the utilities. The enthusiasm by which utilities have embraced the AMP programs is perhaps the best evidence that AMPs work for utilities and ratepayers, and not just for plan participants.

The state and its citizens also benefit from reduced utility terminations, which affect public safety, revenues, and the health of customers (especially the elderly and young children) in a number of ways. Utility disconnections can lead to homelessness, higher medical costs, unemployment, school absences, and even fires, as individuals use less safe forms of heat.

A seminal paper written in 1995 by a now-retired utility accounts manager provided a solid business case for utilities taking a more flexible approach to collecting from payment-challenged customers, and provided empirical evidence that this more flexible approach benefitted customer and company alike (see page 16).

The AMP programs are a major success in Massachusetts, as judged by the participating customers, the utilities, low-income advocates, and the state. But AMPs are not a cure-all. If new utility charges are unaffordable, the consumer cannot pay them no matter what incentives or financial education services are provided. Utility charges must be kept at an affordable level through adequate low-income discounts, energy efficiency and weatherization, and most importantly, by an adequate level of fuel assistance.

B. The Regulatory Background

In Massachusetts, gas or electric utilities are required to offer AMPs to their low-income customers within parameters set by state legislation and by the state department of public utilities (DPU). Chapter 140 of the Mass. Acts of 2005, § 17(a)[6] requires that utilities develop AMPS in which they work with eligible low-income customers "to establish an affordable payment plan and provide credits to those customers toward the accumulated arrears where such customers comply with the terms of the program." The legislation also required a DPU proceeding to develop AMP standards. Individual utilities file plans annually and the DPU approves those plans, with any necessary modifications.

On December 1, 2005, the DPU initiated an investigation relative to AMP standards, leading to a February 28, 2006 Order.[7] The Order requires every gas and electric utility to offer an AMP to heating and non-heating customers. The customer must be offered an affordable payment plan with credits toward the arrearage for program compliance. Companies must coordinate their AMPs with the low-income weatherization and fuel assistance agencies and services within the company's service territory. The utilities are allowed to recover all costs from the program as part of their rate filings.

The Order also set up the Best Practices Working Group on Low-Income Arrearage Management Plans (Best Practices Working Group). This group meets quarterly to evaluate the AMP program. The group consists of representatives of the state's utilities, community action programs, National Consumer Law Center staff, DPU, and Office of the Attorney General.

On February 12, 2008, the DPU opened a separate investigation into expanding low-income consumer protections and assistance, including AMPs. A September 15, 2008 Order[8] in that docket requires that all low-income customers who have an account in arrears be provided the opportunity to participate in an AMP. To implement this requirement, the Order requires each utility to administer its own AMP program. Until 2008, the local nonprofit CAPs ran smaller pilot AMPs in close cooperation with the utilities. The CAPs performed most of the intake and screening functions. After the initial pilot period, the CAPs and utilities agreed that the latter had far more resources at their disposal and were best suited to significantly expand what had been successful smaller programs.

> One major advantage of an AMP is that the customer sees the arrearage balance decrease each month, and thus sees the incentive that accompanies each payment.

The 2008 DPU order also requires that the utility enroll each AMP participant in its low-income discount rate program. The utility must also work with the participant to help the recipient receive fuel assistance and energy efficiency services as appropriate. The DPU order leaves additional AMP program specifics to the utilities themselves.

One issue that was left to the utilities is whether enrollment would be automatic or whether the consumer must affirmatively opt-in. The utilities also decide other terms, including how quickly arrearages are to be forgiven, the consequences of missing a payment, and whether a consumer can enroll in an AMP twice.

Utilities file annual reports with the DPU showing compliance with DPU orders and proposing any changes to the utility's AMP. The DPU has found that all utility AMP programs comply with DPU standards and the legislation.

C. The Specifics of Current Massachusetts AMPs (based upon 2012 utility company filings with the Department of Public Utilities, 12-AMP-01 through 12-AMP-07)

Eligibility. While each utility sets its own eligibility standards, typically the individual must be the customer of record, and have an arrearage of at least $300 that is at least 60 days overdue. To be eligible, the individual's utility service cannot be disconnected, the individual (and not the landlord) must be obligated for the service, and the individual must agree to various program requirements.

The individual must also be low-income, defined as eligible for a means-tested public benefit from the state or eligible for the utility's low-income discount rate. Currently, in Massachusetts this means that the individual's income is 60% or less of the state median income.

While not a legal requirement, utilities also encourage enrollment only among customers who have some ability to make the monthly payments for current charges. Otherwise the customer will drop out of the program and may become ineligible for an AMP in the future.

Computing the Level Monthly Payment. Utilities compute a level monthly payment for the first year of the AMP, based upon 1/12th of estimated utility charges for that residence for the coming year. The estimated charges are based on anticipated usage and the low-income discount rate, not the standard rate. Anticipated fuel assistance payments are deducted from the annual charges before computing the monthly level payment.

Periodically, the utility will re-compute the expected annual charges, factoring in changes in prices, changes in the fuel assistance payment amount, and changes in the customer's usage. The level monthly charges that have already been assessed at the old level are deducted from this new annual amount. What remains is then divided by the remaining months in the plan to compute the new level monthly payment.

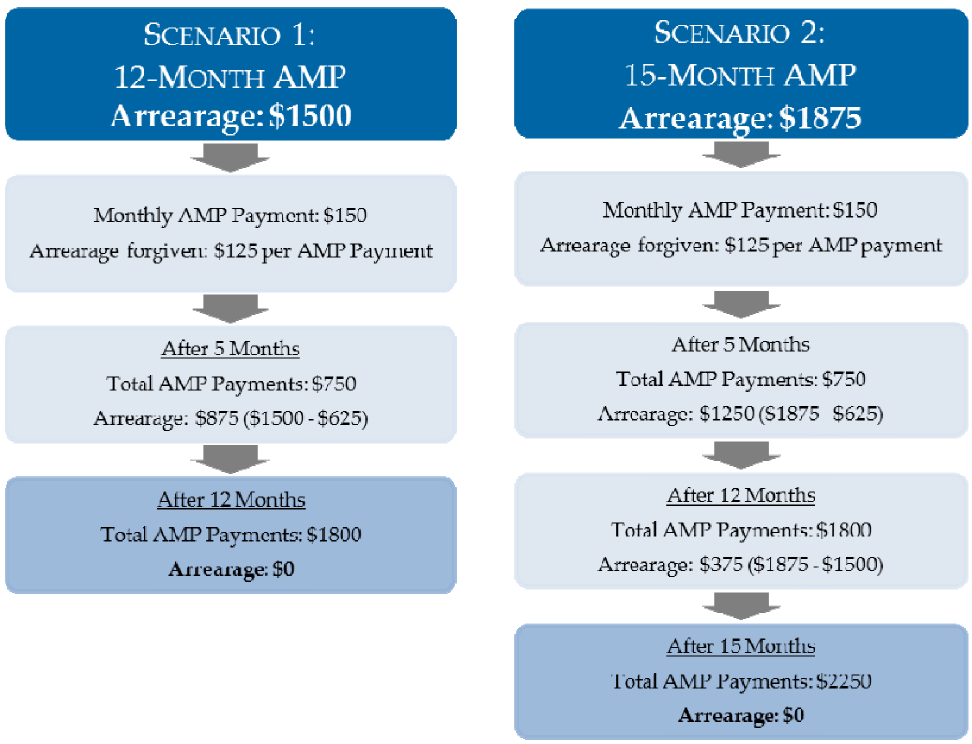
Computing the Arrearage to Be Forgiven. If the individual makes an AMP payment, a portion of the arrearage is forgiven. For example, National Grid will forgive as much as $1500 of an arrearage during the first year of payments.[9] For larger arrearages, the customer makes level payments for a specified number of months beyond a year to cancel the full arrearage (see two scenarios on next page).

Berkshire Gas Company has a similar plan to National Grid's, but will forgive an annual maximum of $3000. Bay State Gas will forgive $3600 in the first year.[10] Unitil will forgive $1200 in the first year for either electric or gas and $2400 for both.[11] With all of these utilities and National Grid, if the arrears exceed the maximum, the AMP plan extends beyond a year to forgive the full arrears.

NSTAR has a somewhat different plan. If the arrearage is under $1000, then $100 in arrearage is forgiven with each month's level payment. If the arrearage is greater than $1000, then $200 is forgiven with each month's payment. Thus NSTAR allows cancellation of the full arrearage in *less* than a year if the arrearage is under $2400. A $1200 arrearage is forgiven after six monthly payments.[12]

WMECo (Western Massachusetts Electric Company) is even more generous, forgiving the full arrearage after one year of payments of current charges, no matter the size of the arrearage. In addition to arrearage forgiveness based on AMP payments, the utility also forgives 10% of the original arrears if the customer attends a money management workshop.[13]

How to Compute the Arrearage to Be Forgiven*



**Scenario 1 (12-month program): AMP level payments are $150 a month [For example, the company estimates that the customer's usage over the next 12 months will be $2,400; that the customer will be receiving $600 in fuel assistance payments; and that the net amount due from the customer will be $1,800: $1,800/12 months = $150/month]. Every month the customer makes a $150 payment, then 1/12 of the arrearage is forgiven, or $125 for $1500. After making 5 payments of $150, the consumer will see on his bill that the arrearage has shrunk by $625 to $875.*

Scenario 2 (15-month program): If the arrearage starts off above the $1500 maximum, the arrearage forgiveness takes longer. If the arrearage is $1875, after one year of payments, $1500 is forgiven (as in the previous example) and the arrearage shrinks to $375. The consumer must remain on the plan for another 3 months to cancel out the last $375 of arrearages.

Immediate Arrearage Reduction for the Customer. While the consumer is on the plan, there is no threatened utility disconnection or other collection efforts. Even if the consumer does not succeed in staying on the plan long enough to cancel the full arrearage, staying on the plan for part of the scheduled period still significantly reduces the consumer's arrearage. Any partial arrearage cancellation is permanent and not forfeited if the consumer goes off the plan.

Consumers see an immediate payback from making a payment, thus encouraging continued participation. The first payment and each succeeding payment automatically lead to arrearage forgiveness, even if the customer does not complete the plan. An early AMP version required six on-time payments before the consumer would see any arrearage forgiveness. This did not provide an immediate payback and was less helpful to encourage consumer participation.

As one director of a fuel assistance program remarked:

> *"There was one change that was very, very helpful. When it first started, you [the customer] had to make six consecutive payments before it would show upon your bill which made it hard to focus. Now, you make a payment and you see it credited immediately."*
>
> — Elizabeth Berube, director of fuel assistance, Citizens for Citizens, Inc., Fall River, MA (Oct. 18, 2011 interview).

Notifying the Customer about the Reduced Arrearage. One major advantage of an AMP is that the customer sees the arrearage balance decrease each month, and thus sees the incentive that accompanies each payment. As one utility customer service representative stated:

> *"It's immediate satisfaction and tangible. I definitely think it is one reason the program is so successful."*
>
> — Sue Corson, customer assistance programs administrator, Unitil (Oct 25, 2011 interview).

Since this incentive is a key motivator for plan participation, it is important for the utility to effectively communicate this arrearage reduction to the customer. Utilities notify customers of their arrearage reduction in different ways. NSTAR and National Grid include a statement of the arrearage size and how much that arrearage was reduced in the last month on the monthly bill. WMECo sends a letter each month thanking the customer for the payment and indicating how much the arrearage has been reduced. Unitil sends a letter and also places the information on the monthly bill.

Consequences of the Consumer Missing a Payment. If a consumer misses one or two level payments, utilities will remove the consumer from the program. Nevertheless, all Massachusetts utilities will reinstate the consumer if the consumer can make up all past due AMP payments before the scheduled end of the plan, as detailed in the following example on the next page.

Utilities have different standards as to how many times a plan can be reinstated before its scheduled end. Some utilities seem to have no limit as long as all plan payments are made before the plan's scheduled termination. WMECo will reinstate a consumer only twice. [14]

Reinstating Customers on the AMP Track after Missed Payments

Customer starts one year AMP plan		
Arrearage: $1500	Level payments of $100/month	Arrearage of $1500 reduced by $125/month

3 months into the program		
3 payments of $100	Arrearage credits of $375 (3x$125)	Arrearage reduced to $1125

Customer misses payments for two months		
Owes two missed $100 AMP payments	Owes $1125 from the original arrearage	Off the program

Resumes payments before end of year			
Pays $100/month again	Pays the two missed $100 payments	Resinstated into the program and continues payments	**After 12 months, arrearage: $0**

Multiple Enrollments. Massachusetts utilities generally have a rule that there is only one AMP plan available to a customer over a lifetime. The consumer cannot enroll in another AMP whether he or she completes the AMP or not. There are some exceptions to this rule. Most utilities allow customers who participated in early pilot AMPs to re-enroll in the utility's current AMP. If a utility offers both a gas and an electric AMP, the customer may be able to enroll in one after having enrolled in the other. In addition, several utilities state that they make exceptions to the rule in appropriate cases.

D. The Role of Community Action Programs (CAPs)

In Massachusetts there are more than 20 CAPs that often locally administer the state's fuel assistance and weatherization programs, and which often also offer housing and Head Start programs. In addition, each utility selects CAPs to deliver low-income energy efficiency services funded by the utility.

Under the mandate of the state law requiring utilities to offer AMPs, the Massachusetts AMPs began as pilot programs administered by several CAPs in cooperation with the utilities. During the first few years of the program, the CAPs notified consumers about the program, performed the initial intake, and placed the individuals on the program. However, the CAPs did not have the resources to expand the initial pilot programs to all eligible customers. Therefore, in 2008, the primary administration for the program was moved to the utilities; they now do the screening and enrollment.

Nevertheless, CAPs continue to play an important role in utilities' AMP programs. For example, CAPs educate consumers about the program. To a varying degree they also help customers enroll in the AMP program. After enrollment, they may offer financial counseling and support during the AMP. They also enroll the customer for fuel assistance, utility energy efficiency services, and weatherization, as well as helping the consumer sign up for other public benefits. If a customer is falling behind in an AMP, the CAP can play an important role in getting the customer caught up and back on the plan.

E. AMP Statistics

As of December 31, 2012, 17,300 Massachusetts gas and electric customers were enrolled in an AMP. Statistics from the four quarters of 2012 indicate that AMP participants made utility payments of $17.8 million, and that $15.9 million in arrears were forgiven. About 80% of these payments and forgiveness amounts were on electric accounts and the remaining 20% gas accounts.

F. Program History

In the mid-1990s, Brooklyn Union Gas (which later became part of Keyspan, and which is now part of National Grid) instituted an On-Track program, which bears some similarities to an AMP and is the "parent" of all of the subsequent AMPs in Massachusetts. On-Track came to Massachusetts in 2003 as a pilot program administered by Action, Inc. in Gloucester (a CAPs), and paid for by Keyspan; a Boston CAP (ABCD) was also an early administrator of an AMP pilot program. According to Joe Bodanza, a Keyspan senior vice president, who testified before the Massachusetts DPU:

> *"On-Track had already been operating successfully in New York State for seven years when Keyspan brought it to Massachusetts. The program premise was that by directing extra resources towards payment-troubled customers, not only those payment-troubled customers but also the company itself and all other ratepayers would stand to benefit. Reports on On-Track showed that customers in the program paid $190 more annually toward their energy bills than they did prior to entering the program.*[15] *On-Track had demonstrated that once customers entered the program, the company needed to make fewer collection-related visits and fewer service terminations, compared to the time before the customers entered the program."*[16]

Bodanza also testified that an On-Track type program was a good business proposition for the company:

> *"It is a good business proposition from the perspective of evaluating it on the basis that the participants show a history of paying their bills better than they had previous to their participation in the program. So there's a good track record and shows in the fact that on average they're paying $190 more than they previously had."*[17]

Because Keyspan did not request that any costs of operating On-Track be included in its rates, the Massachusetts DPU did not need to formally approve or rule on the program. However, the DPU did note:

> The On-Track program may likely enable the Company to lower its bad debt expense which, in the future, could benefit all ratepayers. Evidence indicates that a similar program has enjoyed some success in New York. The Department supports the implementation of the On-Track Program and, if managing payment and bad debt programs in this way is beneficial to all ratepayers, encourages all gas and electric distribution companies to explore the implementation of low-income programs similar to On-Track.

Key to the strategy in developing the AMP programs in Massachusetts was the initial use of relatively small pilot projects, to learn from the initial program design and make adjustments while expanding. AMPs grew slowly, administered first by two CAPs, then four and then six CAPs.[18] Keyspan (now National Grid) and NSTAR utilities were early proponents of the current AMP programs. Now all Massachusetts utilities enthusiastically participate in the AMPs.

IV. All Parties Benefit from an AMP

A. Introduction

An AMP truly is a win-win situation for the various affected stakeholders: the customer, the utility, the average ratepayer, and the state's citizens. Participating customers clearly are winners in that they can obtain a fresh start and are far better equipped to meet future utility charges. But everyone else also benefits from an AMP program. Utility ratepayers and utilities benefit from decreased collection costs and increased revenues, and receive other benefits from the program. Massachusetts and its citizens also benefit from decreased utility terminations that would otherwise have far-reaching adverse impacts.

While the following sections focus on the benefits that AMPs have recently yielded in Massachusetts, the theoretical underpinnings for alternative approaches to collecting utility debts from struggling customers can be found in "Win-Win Alternatives for Credit & Collections," written by utility accounts manager Ron Grosse in 1995.[19] The paper documents how working cooperatively with customers in arrears, rather than simply threatening termination, can reduce terminations, "burn-out" among employees involved in collections, and per-account cost of collections while producing "write-off" percentages comparable to, or even less than, industry averages. It describes an "innovative approach to customer service" that Wisconsin Public Service Corporation undertook in the 1980s, with the goal of reducing "the number of disconnections and at the same time producing good business results by limiting losses and arrears."

> Terminating service to low-income customers who do not have the ability to pay is a lose-lose situation for company and customer, and more flexible approaches to working with those customers yield favorable results for all affected parties.

The company succeeded at its goal, through an unusual route. Its effort began by employing a research firm to conduct a "lifestyle survey" of 200 customers in Green Bay. To the utility's surprise, only 12% of "payment-troubled" customers were found to have adequate funds and ability to pay their bills on time. Just under half (47%) of the payment-troubled customers were simply too poor to pay their bills and 41% had the money to pay but were poor money managers who could not manage keeping up with their bills. Thus, 88% of the payment-troubled customers did not fit Wisconsin Public Service Corporation's "preconceived picture" that these customers were simply "deadbeats" who only paid their bills if threatened with termination.

In fact, the company concluded that most of the payment-troubled customers had the desire to pay, but that the company needed to take a new approach to reduce its own collection costs and minimize terminations that did not produce payments. Early intervention and personal contact were considered key to success.

In response, Wisconsin Public Service Corporation created a new position of Customer Assistance Advisor (CAA), employees considered full members of the credit and collections team. The CAAs were required to have a background in social work and their role was to help the customer access assistance programs and community resources. The Grosse paper notes that, until then, most utilities saw threatening termination as the only way to resolve accounts in arrears. Wisconsin Public Service concluded that this approach simply does not work with customers who don't have the means to pay:

> Risk [of non-payment] is best avoided by not disconnecting service; and a commitment to pay the bill can generally be reached with the customer by showing that the Company has a genuine interest in helping the customer do whatever they can to assure continuity of service and at the same time avail themselves of whatever resources may be available.[20]

The results? The company saw fewer terminations of service, less burnout among its employees, and a "significant reduction in the number of fraud cases" as customers no longer felt compelled to lie when applying for new service after a disconnection. After adopting its new approach, the company's "write-offs as a percentage of revenues" remained below the industry average and disconnects per 1,000 customers were a small fraction of the industry average. In addition, the "cost of collection per account" was below the industry average because fewer terminations and other collections activities offset the cost of hiring the Customer Assistance Advisors.[21]

The Massachusetts AMPs are not exactly the same as the Wisconsin model. However, the key underlying theory, vindicated by the well-documented data from the Wisconsin program, is the same: terminating service to low-income customers who do not have the ability to pay is a lose-lose situation for company and customer, and more flexible approaches to working with those customers yield favorable results for all affected parties.

B. AMP Participants Are Big Winners

Clearly AMP participants are well-served by the program. By definition they are customers with significant overdue bills (arrearages) that can lead to utility disconnection. While participants remain on the AMP, they are safe from disconnection and other collection efforts, even if they have a large arrearage that has been overdue for some time.

Avoiding utility disconnection is thus the most immediate benefit from the program. Utility shut-offs are extremely serious for a household, with documented potential for homelessness, illness, eviction from public housing, retraction of subsidies for assisted housing, loss of employment, absences from school, and even increased likelihood of fires in the residence. A utility disconnection can also stay on a consumer's credit rating for seven years and can affect not only applications for credit, but also for employment, housing, and insurance.

The AMP participant also benefits from the arrearage reductions themselves. With each payment, there is a corresponding decrease in the amount of the AMP participant's obligation to repay the arrears. If the customer stays on the plan, the arrearage is totally forgiven. Then he or she can begin again with no amount due. The future risk of disconnection is dramatically reduced. Even if the participant does not complete the plan, making just some monthly payments will permanently reduce the arrearage.

A reduction in the arrears can have other beneficial financial impacts for the family. Threatened by disconnection, a family not in an AMP program may turn to predatory lenders to stave off the utility termination, which will eventually lead to even worse financial pressures and possibly to foreclosure on a home. Similarly, a family on an AMP may not have to face as many trade-offs between keeping the heat and lights on or obtaining medical attention or food.[22]

One of the most beneficial aspects of an AMP for a participant is the permanent change a plan can have on the customer's future utility payments. The AMP provides customers an opportunity to work with the utility customer service staff and the local CAP to take advantage of other potential programs and benefits. Customers who don't open or rip up collection notices and don't answer collection calls because they believe they cannot possibly catch up on their bills may not realize that they are entitled to a number of benefits that will help them pay their utility bills. When a utility presents the AMP offer instead of threatening disconnection, the consumer is often highly responsive and in a position to learn about other ways to help pay utility bills. Sue Corson, customer assistance programs administrator for Unitil, stated that AMP "gives me another tool to get them into other programs. I tell them about fuel assistance and energy efficiency. I talk with them during the summer when the program isn't open and I make a note to call them when the fuel assistance season opens."[23]

> *"I was so happy being on the plan that I could handle my other bills, my rent and grocery bills. ...I'm elated that I can pay my bills and not be behind. It's been years since I have had a cut-off notice."*
>
> — Participant, Columbia Gas Arrearage Management Program

Since AMP eligibility is the same as eligibility for low-income discount rates, when an eligible customer seeks AMP enrollment and is not yet on the discount rate, the utility simultaneously enrolls the customer for low-income discount rates. The utility's customer service department or the CAP may also help with budgeting and with other public benefits.

In fact, with the original On-Track program (the predecessor to AMP) social workers helped customers stay in their homes and apply for all eligible benefits, provided financial counseling, and gave social services support. Massachusetts utilities do not employ social workers to work with AMP participants, but the utilities and the CAPs do offer similar services.

The following story, in which a customer who is a disabled adult on Supplemental Security Income (SSI) explains what the AMP program meant to her, demonstrates the value of this cooperative relationship. The customer explained that the utility's collection efforts were giving her panic attacks, and she was also very worried about disconnections because of her medical condition. All that changed when she went onto the AMP program.

> *"My balance during the winter months was over $1,000. I had no where to turn and I was a wreck. Enter Virginia Anthony [of Columbia Gas] and the program. I was crying. She told me to calm down and about the plan and how it operates. It fit my budget. I was getting threatening letters, threatening to cut me off. I had panic attacks. I'm not a very emotional person. I have never in my life been cut off by utilities and this would have been a first and it was very scary. I have a medical condition and a daughter at home. I get cold very easily. ...*
>
> *I was able to take my back payments down in one year. If it wasn't for that arrearage program I don't know what I would have done. I had no one to borrow from. I had used all my fuel assistance. I still had a staggering bill due. ...*
>
> *I was so happy being on the plan that I could handle my other bills, my rent and grocery bills. ...I'm elated that I can pay my bills and not be behind. It's been years since I have had a cut-off notice. Virginia Anthony has been wonderful.... She's always patient and calm. Very informative and beyond. It's so nice to deal with one person and not have to make repeated calls and have to explain it over and over to different people.*
>
> *You really have to be consistent with the plan to be successful. Don't take a chance. When the bill is due, just pay it. I had little respect for money but no more. I always pay on time. I budget much better. Groceries, everything is budgeted, my electric and phone is budgeted, everything. When I go into a department store, I put money in a separate pocket and that's all I spend. I was someone who wasn't disciplined with my bills and it's helped me to pay my other bills on time also. I learned my lesson the hard way. We're real people and we all have different personal and financial situations. I never want to have that panic attack again. I have a daughter at home and I'm teaching her responsibilities too. She's 17 and she will want to move out on her own and I'm teaching her the virtues and the values too. I have no regrets. When I go into that department store or get a package of cookies, if I can't afford it, I just don't get it. I'm scared straight. If I didn't have this program to give me a chance that would never have happened. I just don't know where I'd be now."*

According to Darlene Gallant, the community services director at Lynn Economic Opportunity, "When our clients become successful with anything, it's a big deal. It's an enormous, enormous boost to them. We've had people come back, who have said 'now I'm in school. If I can get this one thing under control, life doesn't feel so chaotic.'"[25]

> *"Paying my bills gives me a sense of dignity and integrity. It helped me to catch up on my bills which gave me a sense of financial freedom, dignity and self-respect. It also helped me to catch up on my other bills too."*[24]
>
> — Disabled former Marine, AMP participant

Of course, not everyone who starts on an AMP completes it. If a consumer's income, fuel assistance, and other support are not adequate to make regular monthly payments, an AMP plan cannot be seen through to completion. The consensus of Massachusetts utility companies is that even if the consumer doesn't keep up with the entirety of the payments, the program can still be successful. Why? Because it helps minimize the number of terminations and reduces losses for a company.

And even where a participant cannot make all of the required plan payments, that person still benefits. The arrearage is still reduced, although not in full. The consumer is placed on a low-income discount rate plan, signed up for the fuel assistance and energy efficiency programs, and receives individual counseling.

C. AMPs Are Good for Other Ratepayers

Utility rates for all customers are affected by a utility's collection costs and bad debt. In setting rates, these costs are taken into consideration and the higher the costs, the higher the rates. AMP reduces collection costs, site visits, and other disconnection costs. While a participant is on AMP, there are no disconnection costs, there is no need for a site visit, and other forms of collection are unnecessary. These cost savings offset the AMP program's administrative costs and the cost of writing off arrearages.

In addition, it appears that utilities collect more from customers when they are in an AMP program than if they are not in the program. For example, Virginia Anthony of Columbia Gas said, "This program [AMP] has helped us recover money that we otherwise would never have recovered."[26] Data provided by Columbia Gas in December 2012 showed that low-income customers on the AMP pay a much higher percentage of the amounts billed during a 12-month period, when compared to a random sample of low-income customers not on the AMP: 67% versus 44%. New York's On-Track program documented that once customers joined, they paid on average $190 more towards their utility bill than before they enrolled.

By definition, AMP participants are low income and have fallen behind in their utility charges. It is likely that without intervention, they will continue to fall behind even more and certainly will find it difficult to keep current and also to make payments toward past bills.
As Eddie Swift, a supervisor at Northeast Utilities, noted:

> *"This money would definitely have been written off and we would have to report that to the DPU and then recoup that money from all of our ratepayers. This [AMP] program helps us avoid*

having to pass along that in a form of a rate increase to all customers. The program is a win-win for everyone and we truly believe that." [27]

Utility companies generally are prohibited from terminating service to low-income customers during a winter moratorium, and customers not in an AMP who are living on the margin may even suspend all monthly payments. When customers do not pay during a moratorium period, they accumulate even larger arrearages that are impossible to repay, starting a new cycle of non-payment. By contrast, the AMP participant is required to make full, on-time payments on future charges. This requirement applies even during periods where there is a moratorium on disconnections.

"This money would definitely have been written off and we would have to report that to the DPU and then recoup that money from all of our ratepayers. This [AMP] program helps us avoid having to pass along that in a form of a rate increase to all customers."

— Eddie Swift, supervisor at Northeast Utilities

Thus, on an ongoing basis, AMP participants who stay on the plan even during a moratorium are likely to contribute more to utility revenues than if they were not in the program. This is certainly the case when compared to customers who only make minimal payments, but stay connected. Of course, some AMP participants do go off the program during a moratorium, limiting a program's success to some extent.

Another advantage of an AMP is the likelihood that participants will continue to pay more after completing the program than they did before starting the program. Successful AMP participants learn the discipline of making on-time payments. AMPs also help place the individual with other appropriate assistance programs, all of which encourages the customer to make utility payments. The New York On-Track program found that payments during the AMP year were about 10% higher than prior to that, and after the AMP year was completed, payments were still 5% higher than the experience prior to AMP.[28]

Customers in arrears on their utility bills also have other debts and there will not be enough income for the consumer to make required payments on all bills. Utilities are competing for payment with other creditors. These other creditors hire debt collectors who try to convince the consumer to make a less important bill payment ahead of the utility payment. Consumers not on an AMP may pay off these other creditors ahead of the utility bill. Giving the AMP participant a financial incentive to make utility payments may be enough to restore the utility bill as a higher priority debt in the consumer's mind.

When a customer is terminated for non-payment of an arrearage, the arrears are often never collected. Service may be put in another individual's name and the original debtor may be judgment-proof. Or the consumer may file bankruptcy, wipe out the arrearage, and start fresh—but not with all the advantages and tools that a year on the AMP program will provide the customer in making future payments. Thus, even in the long run, utility revenues may be higher by forgiving arrearages rather than pressing to have both current and back due amounts paid.

D. The Utilities Are Also Enthusiastic about AMPs

Perhaps the best evidence that the AMP program is good for the utilities themselves is the enthusiasm by which the utilities embrace the AMP program. AMP is not a program forced upon utilities. Instead, National GRID helped spearhead the concept and other utilities strongly support the AMP program. Interviews with utility representatives show not only enthusiasm for the program but a desire to introduce similar programs in other states where that utility also provides service.[29]

Northeast Utilities Chief Customer Officer Penni McLean-Conner has experience across the range of utility low-income and energy efficiency programs. She has become a big fan of the Massachusetts AMPs:

> *"State government has to provide the policy framework for these programs and the reassurance to utilities that they will be successful. Ultimately, states create the mandate to run these programs. I give Massachusetts credit for the vision to make it happen here. When Massachusetts first proposed that utilities automatically enroll all income-eligible customers on AMPs, it was a bit frightening for the utilities. We were very passionate that we had to do productive outreach and that the program needed to communicate well with our customers. I admire the state for listening to us and creating a holistic program; we have a better program as a result. It was important that the state administration had the vision to say 'this is important' and to get all of the parties — utilities, CAPs, state agencies — together figuring out how to do it well."*

Other utility representatives are also pleased with the program. Virginia Anthony of Columbia Gas stated that "we really embraced the [AMP] program."[30] And Northeast Utilities Supervisor Eddie Swift said that they would like to use the Massachusetts program in other states that they service.[31]

As a general rule, utilities do not like bad debt and prefer to minimize it as much as possible. AMP helps them do just that. AMPs also allow utilities to keep customers instead of losing them.

Another reason for utilities favoring AMP programs is that a utility would prefer to have good relations with its customers rather than adversarial ones. AMP is effective in accomplishing that goal. Instead of avoiding the utility, customers in arrears work with the company to solve the problem and think much better of the utility. Customer satisfaction with a utility increases with implementation of an AMP. For example, NSTAR's Kathy Orrick stated, "our JD Power survey is way up. Our customers like us better and I believe this program [AMP] is part of it."[32]

In interviews, utility customer service staff consistently indicated how very enthusiastic they were about this change. "It's wonderful."[33] "It's great!"[34] "They [customer service representatives] *love* the program."[35] Customer service representatives "love, love, love it!"[36]

Similarly, AMPS have fostered better relationships among utilities and low-income agencies that deliver fuel assistance and weatherization services. The AMP Best Practices Group brings advocates and utility representatives together to make things function best for the delinquent customer and other ratepayers. This cooperation has the potential for replication on other utility issues where cooperation works best rather than an adversarial process. As Elizabeth Berube, director of fuel assistance at Citizens for Citizens, Inc., in Fall River, noted, "We have a better bond with the utility companies because we meet quarterly. Before we never met with them and we only worked with them during a crisis."[37]

E. The State Wins

It is very much against a state's interest to have any of its citizens lose their utility service. A utility disconnection often has disastrous consequences for the family being disconnected. Moreover, utility terminations have a number of serious adverse impacts on a state's *other* citizens and on the state budget.

Utility terminations can lead to homelessness. Low-income tenants who live in public or subsidized housing face eviction if they do not maintain their utility service as this is a lease requirement. Homelessness increases public costs in terms of providing shelter and emergency services and also interferes with the ability of children to attend school. Utility terminations can also lead to serious medical problems, as a disproportionate share of low-income households have limited incomes precisely because they suffer from illness or disability.

Another impact of increased utility disconnections is an increase in residential fires as residents turn to other, unsafe forms of heat. Of course, fires have broad costs, not just to the unit's residents, but also to adjoining property, insurance rates, firefighters, fire department budgets, and the surrounding community.

The Massachusetts state agency in charge of distributing LIHEAP fuel assistance benefits is a strong AMP supporter because AMPs lighten the burden for the state's fuel assistance agency in dealing with emergency situations.

V. Designing an Optimum AMP Program

As a relatively new concept, AMPS are currently only in a few states. Only Massachusetts requires that all utilities participate in the program, yet the state allows individual utilities limited discretion in how they implement their AMP program.

As a result, the specifics of the optimal AMP program are still in development as utilities experiment with different approaches and as experience shows ways the program can be improved. The Massachusetts experience highlights a number of issues that any AMP program should consider.

A. Automatic Enrollment vs. Affirmative Opt-In

In Massachusetts most utilities require the customer to affirmatively opt-in to an AMP. Berkshire Gas automatically enrolls all eligible customers, but provides customers the right to opt out. NSTAR adopts a middle approach, whereby the consumer is automatically enrolled, but must contact NSTAR to confirm the enrollment. The utility sends a letter stating that the customer is eligible for the AMP and sets out the monthly payment amount that will be required to stay on the AMP. If the customer neither confirms the enrollment nor makes the first payment, the customer is not enrolled but can enroll at a later date.

As of May 31, 2013 (the most recent data available) WMECo has the highest percentage of its low-income rate customers enrolled in an AMP and Unitil has the second highest. National Grid, which does not offer automatic enrollment, is far behind with less than half the percentage achieved by WMECo and Unitil.

While there is much to be said for automatic enrollment, other utilities point out that successful participation in an AMP may depend on the individual's commitment to the program. Requiring an affirmative request to enroll identifies customers who are more likely to have that commitment. Moreover, by requiring customer participation before enrollment, the utility can discuss with the customer whether even current charges on a level payment plan are affordable. If they are not, it makes no sense automatically to put someone on an AMP who is bound to fail — particularly since this may prevent the individual from going on a second AMP in the future.

Thus, in the past, National Grid AMP participants (who must affirmatively opt-in) have had significantly better success rates than Berkshire Gas or NSTAR customers. Automatic enrollments provide more customers with an opportunity to enroll in an AMP, but fewer of those participants complete the plan. Should one spread out a wide net or cherry-pick participants?

The main reason to spread a wide net is that even those not completing their AMPs receive benefits from the program. Moreover, certain families who will complete the program after automatic enrollment might never have gotten the chance from an opt-in system. On the other hand, those failing an AMP may never get another chance to enroll.

Carol D. of Billerica, Massachusetts, is a good example as to why counting on the customer to opt-in has its drawbacks. She is a disabled, 71-year old retired widow. She received a letter from National Grid about the AMP program, and in her words:

> *"Actually National Grid sent me a letter regarding the program about a year before I spoke with [National Consumer Law Center attorney] Charlie Harak but I overlooked it because I didn't understand it. I just glanced at the first letter and didn't take the time to comprehend. I was upset with them [National Grid] because I had called them several times about getting put on a budget program and they'd say things like, "well you have to put $2,400 down and pay $600 every month plus your bill, and I said, "I just can't do that." The last time I called, was after National Grid brought me to court, and I'd been in and out of court for a year or so. They told me I had to pay $4,500 and budget the $4,500 I would still owe. I couldn't afford to pay them $4,500. I was just so upset. I wanted my day in court. Charlie Harak's name was given to me by our senior citizen's center and so I called him. Charlie mentioned it [the AMP program] and it came as an electric shock. I then researched it and I went back in my papers and found the sheet I received from NSTAR and I called them. They gave me an opportunity and I took it. I didn't think I would qualify because my balance was enormous. It came as a shock when I was approved."* [38]

All indications are that she will be able to stay on the program. But it took the intervention of a consumer advocate to explain the program. Many other deserving customers will not be so lucky. Merely sending a letter notifying customers of the AMP program is not adequate. Carol stated that "When a person has such a problem and such a high balance, they should be sent more than that letter. National Grid should have followed up with a phone call to see if I received the letter and to make sure I understood it. I absolutely would have been very open to speaking with them, even though I was upset with them."[39]

Certainly, if a utility does not use automatic enrollment, it should make every effort to reach out to its customers to encourage them to enroll. For example, notices about the availability of an AMP should be in more than one language, particularly in areas where Spanish or some other language is prevalent. For example, Spanish is the largest second language in central Massachusetts and Unitil sends Spanish translations of information about the AMP program.

B. Income Eligibility

Massachusetts AMP eligibility is set at 60% of the state median income, the same cut-off for fuel assistance eligibility and utility discount rates. This makes it easier to enroll households and provide them with a fuller range of services.

C. Should All Utilities Follow the Same Standards?

The Massachusetts model is interesting in that it provides some limited flexibility so that each utility can design certain aspects of its own AMP program. Of course, there is much to be said for standardization, including the fact that all customers in the state will be treated equally and have the same level of benefits. State agency review of the program is also simplified.

On the other hand, each service territory and service type (gas or electric) has distinct demographics and economic issues. Each utility may also have different computer software systems. Moreover, much can be said for allowing experimentation with different approaches in the early years of the AMP program.

One area that would seem ripe for standardization is the name the utility gives to its AMP program. Currently, each utility chooses the name for its AMP program. While National Grid calls its program an AMP, NSTAR refers to it as an AFP (arrearage forgiveness plan). Berkshire Gas names its program a RAMP (residential arrearage management program). WMECo calls its AMP program NuStart.[40]

The ability to communicate state-wide to customers about the availability of an AMP program would certainly be improved if there was just one name for the program. On the other hand, such re-branding would cause some initial confusion for utilities that must rename their programs.

D. Computing the Level Monthly Payment

At least two issues are important in computing the level monthly payment. One is estimating the annual fuel assistance benefit that should be deducted from the estimated annual charges and the other is the frequency of re-computing the payment.

Estimating the Annual Fuel Assistance Benefit
This is not a problem if the AMP year begins after that benefit has been determined for the year. Often though the utility must estimate what the benefit will be for the coming year before that amount is determined.

Utilities typically use one of three methods to compute the forthcoming fuel assistance benefit.

1) Make the best possible estimate based on what is known about Congressional appropriations and other factors.
2) Use the prior year's fuel assistance benefit level.
3) Do not deduct for fuel assistance benefits at all because they are unknown.

Clearly the third option is not reasonable because it is estimating zero dollars where there is a high degree of certainty that the benefit will be significantly higher. Later, when the level payment amount is adjusted to reflect the actual fuel assistance payment, the monthly payment will drop dramatically. This means that the initial payments were too high, which is exactly the wrong thing to do when one is encouraging those with troubled payment histories to start making on-time payments.

The first option (using the best estimate of future payments) is likely to be the most accurate as long as it based on up-to-date information. Where it is not possible to make a future estimate, an alternative is to use the prior year's fuel assistance amount. That level payment amount can be adjusted once a more accurate fuel assistance number is available.

Frequency of Re-computing Payment

The other issue concerning the level monthly payment is how frequently it should be re-computed, based on changes in utility rates, utility usage, and the level of fuel assistance benefits. Considerations arguing against frequent re-computation are possible confusion to the customer as to the level payment (although this will be specified in the monthly bill) and the additional administrative burden to the utility.

These costs are outweighed by the benefits of re-calculating monthly payment levels every three to six months. Waiting too long can significantly reduce the chances of a successful AMP plan.

Where the annual charge increases from that first estimated payment, and the utility waits too long to re-calculate the remaining payments, then those remaining payments can be dramatically higher than what the customer was accustomed to paying, and may be unaffordable. Where the annual charge instead decreases from the first estimate, waiting too long saddles the customer with too high a monthly payment for the early part of the plan. The customer may default because of the size of those payments, where an early re-calculation could have kept the consumer on the AMP.

E. How Fast Should the Arrearage Be Paid Off?

Massachusetts utilities use different formulas to determine how fast an arrearage can be retired. Some utilities only allow $1500 to be forgiven in the first year, while others allow as much as $3600, or forgive the full arrearage no matter its size. While NSTAR forgives only a maximum of $2400 in the first year, its AMP allows complete forgiveness in less than a year. For example, a $1200 arrearage can be forgiven in six months and $400 can be forgiven in 4 months.

Experience indicates that the faster the forgiveness, the more likely it is that the consumer will complete the AMP. Not only does the consumer have to be on the AMP for a shorter period of time, but the "light at the end of the tunnel" is that much brighter even in the early months. The ability to obtain a fresh start is much more immediate, motivating the consumer to make payments.

Thus WMECo allows its Massachusetts customers to retire the arrearage in one year while its sister Connecticut Light & Power requires three years. The Massachusetts success rate is more than double that of the Connecticut plan. This is consistent with what utilities found in their original pilot AMPs where the arrearage was paid off over a longer period. The program works better when the forgiveness works faster, and some utilities with pilots with slower forgiveness have now switched to faster forgiveness for their programs.

F. Training and Composition of Utility Customer Service Staff

Utilities in Massachusetts take the sensible position that even if there are specialists who only work on the AMP program all customer service personnel must be trained on the AMP. Utilities that experimented with training only the AMP specialists recognized the weakness of that approach and now train all customer service personnel about the AMP program.

It is important that whomever a customer contacts at a utility, and whatever the nature of the discussion about payment, that the customer service representative know and understand about the AMP program and bring this option into the discussion if the client is eligible. This is particularly important where a utility does not automatically enroll all AMP-eligible customers. While the utility's first point of contact should be familiar with AMP, the customer should then be referred to a specialist who can closely work with the customer to develop the AMP and assist with other important social service needs.

G. Level Billing Payments Must Be Affordable

AMP is a successful program where the level monthly payments are affordable for the customer. It does little good to offer arrearage forgiveness on the condition that a customer make monthly payments that are financially impossible for that customer to make. The whole point of AMP is to offer the low-income customer a realistic payment option that rewards regular, on-time customer payments with arrearage forgiveness.

Key to level monthly payments being affordable is the level of federal fuel assistance. (Anticipated fuel assistance receipts are subtracted from the estimated annual energy bill before computing the monthly payment amount.) A state or utility has no control over the level of federal fuel assistance funding, but there must be a recognition that AMP will work best when this level is adequate. Other ways of reducing monthly payments are also critical, including placing the customer on an adequate low-income rate plan and providing energy efficiency or weatherization services.

H. Relationship to a Winter Moratorium

AMP payments should be made by the customer during a winter moratorium period. Otherwise, payments after the moratorium may be at an unaffordable level. Too often customers stop making AMP payments during the moratorium which results in their removal from the program. If a consumer makes no payments during the moratorium, it may be unaffordable for the consumer to catch up on missed payments before the plan expires, so that the consumer never completes the plan. In many cases, utilities do not offer consumers a second chance at a new plan, so stopping payments during a moratorium can have serious consequences. Companies and low-income advocates should work together to provide customers support in keeping up with their payments.

I. Critical Importance of the Ability to Reinstate an AMP

Experience indicates that even with low level payments, AMP participants will sometimes still have difficulty making a particular month's payment. While it may be appropriate to remove a customer from the program if the customer is not participating, there should be effective, flexible rules to reinstate that individual if the customer gets caught up on AMP payments. Presently Massachusetts utilities offer this ability to reinstate and it should be effectively communicated to the delinquent participant. The utility should reinstate participants who catch up on their payments.

J. Should an AMP Be Offered to Customers Even After Their Utility Service Is Disconnected?

Presently, customers whose utility has already been disconnected are ineligible for the typical Massachusetts utility's AMP. This creates the anomalous situation in that a person can enroll in an AMP one day before a disconnection is planned but not one day after. In Massachusetts this anomaly is resolved by establishing rules for consumers to reinstate their service while at the same time enrolling in an AMP program. This makes sense as long as the rules for reinstating service are not too onerous on the customer.

The serious implications of utility disconnection for not only the customer but for the state in general were previously noted. Offering an AMP and reconnection to these customers is one way to dramatically decrease the impact of such disconnections.

Those just disconnected may be as viable candidates for an AMP as those with large arrearages. Often disconnection is caused by an individual's inability to pay the same arrearage that an AMP plan will forgive. Those disconnected have the right to file bankruptcy, wipe out the arrearage, and get service re-connected. Using an AMP to accomplish the same result has the advantage of forcing the consumer to earn the arrearage forgiveness through on-time payments.

K. Should an Individual Be Allowed to Enroll in an AMP a Second Time?

In general, Massachusetts utilities only allow an individual to enroll in an AMP once. If the person misses AMP payments, there are options for reinstatement. But at the end of the AMP plan period—whether the individual completes the plan or not—the individual becomes ineligible to enroll in a future AMP if the individual again gets behind in payments.

The argument for allowing multiple AMP enrollments is straight-forward. If AMP is a good thing for everyone once, it can also be a good thing for everyone a second time. Those in poverty are particularly vulnerable to unexpected events, such as an illness, a large automobile repair bill where the vehicle is essential to get to work, loss of a job or benefits, a marital separation, etc. A customer with the best intentions can still get behind in utility payments a second time. Thus even with all the learning experience of the first AMP, sometimes individuals simply need a second fresh start.

The counter-argument is that the continued availability of AMP will encourage customers to build up arrears knowing that they will be forgiven in a second AMP. This problem can be avoided if the utility uses its discretion as to whether to offer a second AMP—instead of automatically ruling it out or automatically allowing it. This decision can be aided by information from a CAP or other agency working with the client as to the individual's special circumstances arguing for the customer being enrolled in an AMP a second time.

It is likely that the main reason for existing Massachusetts utility policies limiting a second AMP is that the program is new enough not to present any actual cases where a deserving person needs a second AMP. Some Massachusetts utilities state that they will offer a second AMP in individual cases.

VI. Conclusion

The Massachusetts AMP program is a major success and worthy of implementation in other states. The program provides numerous benefits for low-income customers with serious arrearages, with no measurable negative impact on the utilities or other ratepayers. The utilities themselves are very enthusiastic about the program, and other indirect benefits also accrue to the state. Careful consideration to program design can lead to even greater success, but as presently implemented, the Massachusetts program is working well.

ENDNOTES

[1] See "The Burden of FY 08 Residential Energy Bills on Low-Income Consumers," Economic Opportunity Studies (Mar. 2008).
[2] Source: Massachusetts Department of Housing and Community Development, oral reports to the LIHEAP Advisory Group.
[3] Data compiled by Theo MacGregor from monthly utility reports.
[4] See "The Burden of FY 08 Residential Energy Bills on Low-Income Consumers," Economic Opportunity Studies (Mar. 2008), the most recent data available.
[5] Source: Credit Reports to the Massachusetts Department of Public Utilities.
[6] The full text of the can be found here:
http://www.malegislature.gov/Laws/SessionLaws/Acts/2005/Chapter140
[7] See Order Establishing Standards for Arrearage Management Programs for Low-Income Customers, D.T.E. 05-86 (Feb. 28, 2006).
[8] Order Expanding Low-Income Consumer Protections and Assistance, DPU 08-4 (Sept. 15, 2008).
[9] D.P.U. 12-AMP-05, "National Grid's Arrearage Management Program" (Feb. 23, 2012), p. 2.
[10] D.P.U. 12-AMP-02, "The Berkshire Gas Company Residential Arrearage Management Program" (Feb. 29, 2012), p. 2.
[11] D.P.U. 12-AMP-04, "Unitil Arrearage Management Program" (Feb. 28, 2012), p. 1.
[12] D.P.U. 12-AMP-07, "NSTAR Arrearage Forgiveness Program" (Mar. 1, 2012)
[13] D.P.U. 12-AMP-08, "Western Massachusetts Company – NUStart Arrearage Management Program" (Mar. 1, 2012).
[14] Note, however, that "exceptions may be made to the general rules." D.P.U. 12-AMP-08, "Western Massachusetts Company – NUStart Arrearage Management Program" (Mar. 1, 2012), p. 4. Many of the companies in practice display more flexibility than their written plans allow for reinstatement, especially if the customer has a good explanation for why payments were missed (e.g., household member lost a job; illness interfered with work).
[15] Testimony of Senior Vice President for Regulatory Affairs and Chief Financial Officer Joseph F. Bodanza, p. 15, in *Boston Gas Company d/b/a Keyspan Energy Delivery New England*, DPU 03-40 (Apr. 16, 2003)
[16] *Boston Gas Company*, DPU 03-40, Trans. 12, pp. 1500 – 1501.
[17] Bodanza testimony, DPU 03-40, Trans. 12, pp. 1516 – 1517.
[18] Interview with Theo MacGregor, MacGregor Energy Consultants (Nov. 14, 2011).
[19] A revised version of the paper was written by Grosse and Nancy Brockway, then the director of Multi-Utility Research and Analysis for the National Regulatory Research Institute.
[20] Ron Grosse, "Win-Win Alternatives for Credit & Collections" (2008 rev.), p. 10.
[21] Evaluations of other low-income customer assistance programs – including Arrearage Management programs, Percentage of Income Payment Programs (PIPPs), discount rate programs, etc. – show mixed results in terms of avoiding terminations, reducing arrearages and changing customer payment patterns. For example, a 2012 Apprise study, "PECO Energy Universal Services Program, Final Evaluation Report" found no meaningful change in service terminations following enrollment of customers on the program, although a 2007 PA Consulting Group report on Maryland programs ("Electric Universal Service Program Evaluation Report") found fewer disconnects after participation. As for arrearages, the 2012 Apprise study, program found that program participants reduced their arrearages by $200, but a 2009 report by Roger Colton of an Indiana program ("An Outcome Evaluation of Indiana's Low-Income Rate Affordability Programs: 2008") found no significant change in arrearages.

[22] There is a reverse correlation between the adequacy of funds available to a low-income household to pay energy and utility bills, and under-nutrition in the household. See Deborah A. Frank, Nicole B. Neualt et al. *Pediatrics*, Vol. 118, No. 5, pp. 1293 – 1302 (Nov. 1, 2006) ("Living in a household receiving the Low-income Home energy Assistance Program is associated with less anthropometric evidence of undernutrition").
[23] Interview with Susan Corson, Customer Assistance Programs Administrator, Unitil (Oct. 25, 2011).
[24] Interview with D. D. of Randolph, Mass. (Oct. 26, 2011).
[25] Interview with Darlene Gallant, Community Services Director, Lynn Economic Opportunity, (Oct. 17, 2011).
[26] Interview with Virginia Anthony, Manager of Consumer Relations, Columbia Gas of Massachusetts (Oct. 20, 2011).
[27] Interview with Eddie Swift, Supervisor for Special Assistance Team, Northeast Utilities (Oct. 27, 2011).
[28] Keyspan, On Track Program Evaluation, 1999-2000, submitted by Boston Gas Company in DTE 03-40 (June 13, 2003).
[29] Interview with Susan Corson, Customer Assistance Programs Administrator, Unitil (Oct 25, 2011).
[30] Interview with Virginia Anthony, Manager of Consumer Relations, Columbia Gas of Massachusetts (Oct. 20, 2011).
[31] Interview with Eddie Swift, Supervisor for Special Assistance Team, Northeast Utilities (Oct. 27, 2011).
[32] Interview with Kathleen Orrick, Manager of Low-income Programs at NSTAR (Oct. 18, 2011).
[33] Interview with Kathleen Orrick, Manager of Low-income Programs at NSTAR (Oct. 18, 2011).
[34] Interview with Susan Corson, Customer Assistance Programs, Administrator for Unitil (Oct. 25, 2011).
[35] Interview with Teresa Jackman, Senior Customer Servicer Consultant, Northeast Utilities (Oct. 27, 2011).
[36] Interview with Susan Corson, Customer Assistance Programs Administrator, Unitil (Oct. 25, 2011).
[37] Interview with Elizabeth Berube, Director of Fuel Assistance, Citizens for Citizens, Inc., Fall River, Mass. (Oct. 18, 2011).
[38] Interview with Carol D. of Billerica (October 17, 2011).
[39] Id.
[40] WMECo's program was first launched by its parent company, Northeast Utilities, or "NU," hence "NuStart."

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Forgiveness can Lead to Self-Sufficiency

12/15/2015

by Penni McLean-Conner, Eversource Energy

Arrears management programs (AMPs) are financial assistance programs for low-income customers with overdue utility bills. Although these programs are not commonplace today for customers, it seems that the interest to offer them is growing among utilities, regulators and interested stakeholders. My last column explored the business case for offering arrears management. With a well-constructed arrears management model, these programs provide customers with the opportunity to gain a fresh start with their utility bills. For utilities, arrears management programs offer the opportunity to transform the relationship with the customers into one that is new and positive. The best programs are comprehensive and operate in a regulatory framework that makes sense for customers and utilities.

Arrears Management Model

Successful arrears forgiveness programs are designed to target customers that, with the right training, assistance and support, can move from needing some sort of assistance to self-sufficiency. These programs are comprehensive and offer customers budget counseling, payment plans, arrears forgiveness, energy efficiency programs and education, and links to other financial grants and assistance. This cost-effective suite of programs is designed to service customers who will benefit from a reduction in their electric and/or gas bill arrearage with the ultimate goal of having the customer independently manage bill payments more effectively. For utilities considering implementing an arrears forgiveness program, following are some key structural components for an effective model:

· **Customer qualification:** Successful
models clearly define customer qualifications so administrators can efficiently screen candidates. Qualifications to participate in the program might require that customers agree to budget counseling; take advantage of energy efficiency programs; have some minimum amount in arrears; and qualify for a discount rate.

· **Administration:** Utilities may administer a program themselves, but many are transferring administration to the social service experts at low-income agencies. This latter approach allows the customer onestop shopping. A good administrator will screen qualified candidates for the program, ensure the customer participates in the energy efficiency programs offered to reduce ongoing usage, provide budget counseling and link the customer with other applicable assistance or grants.

· **Procedures:** Best practice in arrears forgiveness is to reward good behavior. By that, customers are given arrears credits each time they make a payment on the account. These programs also offer frequent communications and reminders on their status and payment commitments.

· **Quality assurance:** It is critical for a quality program to provide training and support to agencies and administrators. The training should include customer qualifications, processes and procedures. The utility should provide reports and regularly review program performance with administrators to identify improvement areas.

· **Evaluation:** The evaluation confirms the value of the program to the customer and the utility. This evaluation looks at the program design and implementation, and will include surveys with the agencies and customers, along with a review of customer utility records on arrearage and recovery write-off.

Rate Design

Utilities working collaboratively with low-income advocates are designing rates that are positive for credit-challenged customers, as well as the utility. These lowincome rates generally are discounted below normal rates for eligible customers. This discount then is typically recovered from all other customers.

In some states, such as West Virginia, the discount is paid from the state's general funds. In some states, the discount is paid by other customers. In these states, there has been discussion about identifying the amount paid by other customers so those customers can classify that amount and claim it as a tax deduction.

Programs that incentivize customers to improve their credit-managing ability by rewarding them with debt forgiveness are uncommon. Recovery of these costs, net benefits derived by the utility, is made the same as the low-income discount.

While the costs of the debt forgiveness and incremental administrative costs are easy to identify, tangential benefits, such as having a creditworthy customer in the future or reducing the debt forgiveness for debt that would have been written off without this the program, are much harder to identify. In fact, to truly analyze the impact of the programs, it is best to monitor the performance over several years.

The good news on arrears management is that many of these programs are demonstrating positive benefits. The mature programs are showing success with customers learning to manage their energy usage and their bills. For utilities, the programs provide a positive alternative to offer customers who are struggling with their payments. Overall, these AMPs, when well designed, are a win-win for customers and utilities.

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Arrears Management Program Best Practices

02/08/2016

by Penni McLean-Conner, Eversource Energy

Arrears management programs (AMPs) can provide a win-win solution for customers, utilities and regulatory agencies. My previous columns on this topic have explored arrears management programs from a business case and framework perspective. This final column explores the best practices in arrears management programs.

AMPs are financial assistance programs for low-income customers with overdue utility bills. The basicconcept is that customers enrolled in an AMP who make the required affordable payments are rewarded by having their arrears forgiven.

Utilities considering offering an arrears management program are wise to work with low-income advocates and regulators in their states to design a program that works toward customer, utility and stakeholder goals. This final article explores some best practices in the design of an arrears management program in the areas of offering comprehensive, flexible and efficient programs.

Provide Consumers a Comprehensive Approach

Offering a comprehensive solution that includes discount rates along with energy efficiency for income-eligible customers is a winning design. Energy efficiency programs are powerful tools that can help reduce monthly usage and therefore monthly bills. Add to that discount rates for income-eligible customers and consumers are much better positioned to provide needed support to make the bills affordable.

To provide this comprehensive solution, the best practice is a partnership of utility administration along with community action programs (CAP). Utilities are in the best position to enroll customers. CAP agencies provide consumers with fuel assistance enrollment, along with consumer education and financial counseling. This combination of service delivery provides customers with the best opportunity to use energy wisely and, in addition, be able to make required monthly payments.

Customer Payment Best Practices Flexibility

Utilities considering AMP programs must determine how to handle situations where the customer misses a payment or completes the program only to build up an arrearage again. These decisions require thoughtful analysis and consideration.

Allowing customers to enroll in an AMP a second time is a more complicated issue. There are valid reasons where customers could really benefit from the opportunity to enroll a second time, such as experiencing an unexpected illness or loss of a job. There is concern, though, that a program allowing a second enrollment might create the behavior of building up an arrears knowing it can be forgiven. The National Consumer Law Center recommends utilities use their discretion aided by information from a CAP regarding a client's circumstances as to whether to offer a second AMP.

Determining how to handle missed payments is another consideration. Massachusetts utilities that have run AMP programs for years have found that allowing customers to make up missed payments during an active AMP plan is positive and efficient.

Efficiency Opportunities

Leveraging technology and business rules to simplify the AMP process both for customers and the utility makes business sense. Automatic enrollment and short duration forgiveness are two items that utilities should consider in the design.

In designing an AMP program, utilities must evaluate whether customers must request to be on an AMP or whether they will leverage automatic enrollment. Data from Massachusetts, in which both automatic and customer requested designs were in place, show that more customers participate with automatic enrollment, but the percentage that completes the plan is reduced. With automatic enrollment, though, the utility will gain operational efficiencies on customer enrollment processes. Manual enrollment based on a customer's request provides additional opportunity for a utility to screen the customer and provide valuable information and education on the program to help ensure the customer is a good fit for the program.

During program design, utilities should consider forgiving the arrearages in a short cycle time, such as one year. Customers are more motivated to make payments on a shorter plan. In addition, it helps customers complete the program.

This series has explored arrears management programs that with the appropriate regulatory structure can provide win-win solutions for both utilities and their customers. As utilities consider offering these programs, they must focus on designing a program that is grounded in meeting customer and stakeholder desires while also making sense from a utility perspective. For more information on National Consumer Law Center recommendations, review Charlie Harak's entire report at: http://www.nclc.org/images/pdf/energy_utility_telecom/consumer_pr

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