

DM 03-176

INVESTIGATION OF UTILITY BILLING PRACTICES

Order Approving Study

ORDER NO. 24,353

July 16, 2004

I. PROCEDURAL HISTORY

The New Hampshire Public Utilities Commission (Commission) opened this docket pursuant to RSA 365:5, 365:19, 374:4 and 378:7 to investigate the extent to which New Hampshire utilities had entered into contractual relationships with outside vendors for the purpose of authorizing those vendors to process payments of utility bills, and whether the utilities were charging customers a fee for use of such service. Among other things, the Commission stated that it would decide whether such arrangements, particularly when fees were involved, required the prior approval of the Commission and whether any action should be taken with respect to utilities that entered into such arrangements without prior Commission approval.

Following the October 7, 2003 pre-hearing conference, the parties and Commission Staff participated in a technical session to discuss the procedural schedule for the docket and other issues. Based on Staff's written report of the technical session, filed October 8, 2003, the Commission adopted the recommendation of the parties to shift the focus of the docket, eschewing consideration of whether transaction fees assessed against utility customers by third-party payment processors were within the Commission's jurisdiction and instead considering whether some or all utilities should be required to offer alternative payment options and, if so, how the applicable costs should be allocated. *See* Order No. 24,222 (October 24, 2003).

After a series of technical sessions and one round of discovery, on May 4, 2004, Staff submitted a written report summarizing the recommendations of the participants.

II. REPORT SUMMARY

According to the participants, there is no consistent practice among utilities regarding payment options. Smaller utilities have different capabilities than larger utilities. Even among similarly sized utilities, there are considerable differences in what payments are offered and the terms on which they are offered. The participants also assert that there is very little data readily available regarding which customers make use of the various payment options currently offered and under what circumstances customers avail themselves of certain payment options.

Accordingly, the participants recommend the Commission undertake a twenty-four month study to collect information regarding the use of various payment options by customers, including when they are used, under what terms, and the impact, if any, of various payment options on accounts receivable. The participants further recommend that only those utilities with more than 2000 customers be required to participate in the study though utilities with less than 2,000 customers would not be precluded from participating should they so choose.

Included in Staff's report of the participants' recommendations is a set of templates for reporting data during the study. The templates identify a number of payment methods and group them as direct to the utility or to the utility via a third party. For each payment method identified, the number of payments, the percentage the payment method represents of total payments, the revenue collected via the payment method and the average payment amount would be tracked. Additionally, the templates would provide data regarding the

number of payments made via any given payment method that are made 1) before a disconnect notice is sent and 2) after a disconnect notice is sent.

The report further recommends that during the course of the study, the issue of fees for various payment options be set aside. Specifically, utilities that currently charge a fee for a particular payment option should be allowed to continue. Similarly, utilities that add a new payment option during the study period would not be prohibited from charging a fee for that payment option. The report proposes that Staff and the Parties reconvene in 12 months to discuss the collection of cost data associated with the various payment options being tracked during the study and provide the Commission with a final report at the end of the study which would identify for the Commission whether there should be a uniform set of payment options made available and how to address the applicable costs, if any.

III. COMMISSION ANALYSIS

We commend the effort made by Staff and the Parties in attempting to identify the issues associated with payment methods, particularly those made through a third party. The templates developed by Staff and the Parties should provide a better understanding of how consumers prefer to make their utility bill payments. It should also help identify if certain customer groups rely on one payment method over another and the circumstances under which that payment method is utilized. The study parameters appear to be sound, and take steps to avoid administrative costs on smaller utilities that are less likely to have such arrangements in effect. Accordingly, we will accept the recommendations put forward by Staff and the Parties on the May 4, 2004 letter to the Commission.

We must note, however, that since this proceeding was opened, certain events have occurred which have heightened our concern about how utilities in New Hampshire receive

payments from their customers. In April 2004, CashPoint Network Services, Inc. (CashPoint), a third party processor of utility payments, entered into bankruptcy, resulting in utility payments made by an undetermined number of New Hampshire customers never being transmitted to the utility. In DM 04-080, we found that the utilities were appropriately handling the situation created by the CashPoint bankruptcy. *See* Order No. 24,331 (June 4, 2004). However, as we indicated in Order No. 24,331, third party billing issues are significant and should be explored further.

We are concerned, however, that waiting until the study is complete leaves customers at risk should situations similar to CashPoint arise during the pendency of the study. Accordingly, we direct Staff and the Parties to reconvene to discuss legal and practical issues posed by third party vendors. Those discussions shall include potential remedies to protect customers, both in instances where there is a contractual relationship and in which there is not. A final report of those discussions should be provided to the Commission by October 29, 2004.

Based upon the foregoing, it is hereby

ORDERED, that the May 4, 2004 recommendation is ACCEPTED; and it is

FURTHER ORDERED, that Staff and the Parties convene to discuss those third party billing issues raised by the CashPoint bankruptcy.

By order of the Public Utilities Commission of New Hampshire this sixteenth day
of July, 2004.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary