

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

IN THE MATTER OF:

CONSUMERS USING CREDIT CARDS TO PAY  
FOR SERVICES

**DOCKET NO.: A-150561**

CENTURYLINK'S MAY 15, 2015  
COMMENTS

**I. INTRODUCTION**

CenturyLink hereby files its comments in this docket in which the Washington Utilities and Transportation Commission ("Commission") has opened an investigation into current utility and transportation industry practices regarding credit card payments by customers, and to reevaluate the regulatory framework surrounding these payments. CenturyLink offers comments and responses to the issues identified in the Commission's notice of April 17, 2015.

**II. RESPONSES TO COMMISSION QUESTIONS**

The Commission also sought comments or information on specific questions, to which CenturyLink provides the following responses. Because some differences exist in payment processing operations for CenturyLink's Washington operating companies (Qwest, CenturyTel and United Telephone Company of the Northwest ("United")), responses below reflect those different operations where applicable.

***COSTS AND BENEFITS TO THE COMPANY AND OTHER RATEPAYERS***

**1. Please describe your current practice for processing non-cash/non-check payment methods. If you currently accept debit and credit card payments, what are the transaction fees incurred by customers using these methods? Are there any costs incurred by the company?**

**CenturyLink Response:**

CenturyLink processes non-cash/non-check payments via CenturyLink’s website portal and Interactive Voice Response (IVR) platforms. CenturyLink accepts non-cash/non-check payments that include:

- One time and Recurring Automated Clearing House (ACH)
- Credit Cards
- Debit Cards
- Electronic Checks

CenturyLink does not charge a transaction fee for customers using non-cash/non-check payment methods if the customer processes their payment without the assistance of a CenturyLink customer service representative. CenturyLink does charge a convenience fee when a customer elects to make an electronic payment using a CenturyLink customer service representative. The fee provides recovery of the costs of a live service representative’s time to process the customer’s electronic payment.

CenturyLink incurs costs for processing electronic payments.

- ACH costs paid to banks average \$0.005 per transaction.
- Electronic check costs include a presentment fee averaging \$0.04 per transaction and an acquirer fee also averaging \$0.04 per transaction.
- Credit Card costs vary by card type. Each card brand charges CenturyLink a percentage of sale plus unit fees and other card assessments.<sup>1</sup> In addition to the card interchange, fees and assessments, CenturyLink incurs a presentment fee averaging \$0.04 per transaction and an acquirer processing fee averaging \$0.04 per transaction.

**2. What transaction costs are involved with the forms of customer payment listed below? Many of these costs may be costs that have been embedded; when reporting these embedded costs, please indicate how you arrived at your calculations.**

*Cash*

**CenturyLink Response:**

For Qwest, the company operates an internally staffed lockbox operation. When the Qwest lockbox receives physical cash, the transaction must be handled manually and

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<sup>1</sup> See response to question 2 below for the per sales dollar credit card fees.

Qwest incurs a cost averaging \$1,230 per month for courier pickup and delivery for deposit of cash received in the lockbox.

The average cost of a cash payment received in the Qwest lockbox is \$6.45 per transaction. The cost includes wages and benefits for represented employees (union), salaries and benefits for non-represented employees (supervisors, managers, and support staff), direct expense associated with lockbox operations (equipment, material and supplies, vendors, courier transport of cash, etc.).

A third-party vendor provides the lockbox function for the CenturyTel and United companies. This lockbox vendor processes customer cash payments at an average cost of \$0.065 per transaction. The vendor does not apply any additional charges to process customer cash payments.

*Check or money order (also compare by mail/drop box to those made in person)*

**CenturyLink Response:**

For Qwest, the costs of the company's internally staffed lockbox operations average \$0.145 per check/money order transaction. The costs includes wages and benefits for represented employees (union), salaries and benefits for non-represented employees (supervisors, managers, and support staff), direct expense associated with lockbox operations (equipment, materials and supplies, vendors, etc.).

A third-party vendor provides the lockbox function for the CenturyTel and United companies. This lockbox vendor processes customer check/money order payments at an average cost of \$0.065 per transaction.

***Electronic check***

**CenturyLink Response:**

Customers may pay by electronic check via CenturyLink's website or IVR portals. Customers may also make an electronic check payment through a CenturyLink customer service representative. The cost to CenturyLink to process an electronic check averages \$0.11 per transaction for customers using the website or IVR.

*Credit card (also compare paying over the phone to online)*

**CenturyLink Response:**

CenturyLink customers may pay by credit card via CenturyLink's website or IVR portals. Customers may also make a credit card payment through a CenturyLink customer service representative.

The per sales dollar costs (Q1 2015) incurred by CenturyLink for processing credit cards payments were:

- VISA credit card transactions - \$0.015 per sales dollar.
- MasterCard credit card transactions - \$0.021 per sales dollar.
- Discover credit card transactions - \$0.025 per sales dollar.
- American Express credit card transactions - \$0.033 per sales dollar.

The per sales dollar costs identified above are in addition to the presentment fee costs averaging \$0.04 per transaction, and the acquirer processing fees averaging \$0.04 per transaction.

***Debit card (also compare paying over the phone to online)***

**CenturyLink Response:**

CenturyLink customers may pay by branded debit card (Visa, MasterCard, Discover) via CenturyLink website or IVR portals. The Qwest systems do not currently accept ATM cards. Customers may also make a debit payment through a CenturyLink customer service representative.

The costs (Q1 2015) incurred by CenturyLink for processing debit cards payments were:

- Discover does not provide discreet reporting for debit cards.
- CenturyTel and United accept PIN-less debit card transactions that average \$0.0065 cents per transaction. There is no cost on the dollar amount of the transaction like for credit cards or regular debit cards.

***Automated Clearing House (ACH) financial transactions***

**CenturyLink Response:**

CenturyLink processes the following ACH payment transactions:

- Electronic Data Interchange (EDI) payment files are sent to CenturyLink by various payment agents, banks and bill payers. The file processing is supported by CenturyLink Information Technology groups and some files are processed via the internal CenturyLink lockbox. Costs for these ACH payments average \$0.11 per transaction.
- Customers may also pay by ACH and deposit directly to a CenturyLink bank account. All of these ACH transactions require a CenturyLink resource to manually capture the payment posting information for the transaction. These

direct deposit ACH transactions average \$1.11 per transaction.

*Other*

**CenturyLink Response:**

CenturyLink has no additional information to provide.

**3. Please provide an indication of the number of payments, and dollar volumes, made using each method.**

**CenturyLink Response:**

Information provided in this response is company-wide and is therefore not Washington specific.

Qwest Payment Information (Monthly)

<b>Payment Type</b>	<b>Number of Payments</b>	<b>Dollar Amount</b>
Cash	240	\$2,500
Check and Money Order	1,809,395	\$301,232,203
Electronic Check	40	\$170,000
Credit Card	1,238,500	\$181,236,017
Debit Card	77,200	\$8,622,447
ACH	1,654,300	\$370,925,000

CenturyTel/United Payment Information (Monthly)

<b>Payment Type</b>	<b>Number of Payments</b>	<b>Dollar Amount</b>
Cash, Check and Money Order	2,742,404	\$190,134,718
Electronic Check	273,539	\$28,430,685
Credit Card	570,434	\$74,098,497
Debit Card	222,096	\$27,509,478
ACH	317,372	\$43,015,550
EDI/ACH	72,395	\$16,152,360

4. Please provide an indication of the average cost to process a transaction for each of the above forms of transaction. Please also calculate the average bill for each type of payment method.

**CenturyLink Response:**

Information provided in this response is company-wide and is therefore not Washington specific.

Qwest Payment Information (Monthly)

Payment Type	Average Cost to Process	Average Bill Amount
Cash	\$6.45	See Note
Check and Money Order	\$0.18	\$166
Electronic Check	\$0.09	\$4,250
Credit Card	\$2.19	\$146
Debit Card	\$0.42	\$112
ACH	\$0.03	\$224

*Note: Cash received in the Qwest lockbox is almost exclusively incidental to what the customer was billed. 99% of the cash payments received are remitted along with a check, and the cash added to complete a check payment amount less than the full amount billed. We do not track this billed amount. Cash payments represent less than \$10 per customer.*

CenturyTel/United Payment Information (Monthly)

Payment Type	Average Cost to Process	Average Bill Amount
Cash, Check and Money Order	\$0.068	\$69.33
Electronic Check	\$0	\$103.94
Credit Card	\$0.075	\$129.90
Debit Card	\$0.078	\$123.86
ACH	\$0.075	\$135.54
EDI/ACH	\$.04	\$223.11

**5. Are measures taken to ensure that processing costs for a particular method of payment are borne exclusively by those specific customers that use those specific methods of payments?**

**CenturyLink Response:**

Other than applying a convenience fee charge for customers making payments through a live customer service representative, CenturyLink does not currently have a method of assessing payment processing costs to specific payment methods.

**6. What advantages do you see to making credit and debit card billing options available to customers? What has precluded your company from doing so if it hasn't already?**

**CenturyLink Response:**

Credit and debit card payment options are already available to CenturyLink customers.

**7. What advantages and disadvantages are there in having card payments processed by a third-party, such as BillMatrix? Is there a better option for processing credit and debit card payments, such as contracting through a bank? What are the costs of these alternative processing methods, and how would they impact the use of credit cards?**

**CenturyLink Response:**

CenturyLink evaluated alternatives for credit card processing in 2010 and determined the best option for our business was to use a third party presenter. The advantage is ensuring Payment Card Industry (PCI) compliance with no card data stored in CenturyLink's systems.

**8. Should companies charge convenience fees for debit and credit card customers? If not, what is the rationale for recovering the costs associated with debit and credit card payments from rates charged to all customers, including those who do not, and may not ever, use the service?**

**CenturyLink Response:**

Credit and debit cards are the most expensive payment processing methods for CenturyLink. As a result, CenturyLink supports the option of charging convenience fees for customers who elect to use those payment methods.

## ***COSTS AND BENEFITS FOR ADOPTING CUSTOMERS***

**Some customers may prefer automatic payments using a credit or debit card, as opposed to automatic payments with checks. For instance, some customers are hesitant to provide such access directly to a checking account, without the protection provisions associated with credit cards.**

**1. What advantages and disadvantages would automatic payments through credit and debit cards provide to your customers?**

### **CenturyLink Response:**

CenturyLink currently supports recurring payments with credit and debit cards. The advantages for a customer include convenience, and elimination of the risk of neglecting to pay the billed amount by the due date and potentially incurring late payment charges.

## ***CONSUMER PROTECTION ISSUES***

**1. Several utilities currently allow customers to sign up for automatic billing through their checking accounts. How are these customers treated and indemnified when there are billing mistakes? For example, does the company provide account credits or refunds to the customers' checking accounts?**

### **CenturyLink Response:**

CenturyLink currently supports recurring ACH processing. CenturyLink is subject to National Automated Clearing Housing Association (NACHA) rules governing ACH processing. Automatic drafts are adjusted when changes are made to a customers' billing. Customers can also request a credit or refund based on the timing of drafts and billing adjustments.

**2. What options are available to so-called "unbanked" customers? Many of these customers receive government benefits, or their salary from their employers, in the form of MasterCard or Visa pre-paid debit cards.**

### **CenturyLink Response:**

The CenturyLink website and IVR portals support pre-paid cards. Additionally, CenturyLink has many locations where a customer can make a payment in cash. These include CenturyLink retail locations and kiosks, Western Union locations, Checkfree/Bill Matrix locations, Wal-Mart, Frys grocery, Fred Meyer, Circle K ATM's and many others throughout the CenturyLink territory.

**3. Are pre-paid debit cards, such as those offered by MasterCard or Visa, treated any differently than traditional credit or debit cards?**

**CenturyLink Response:**

Prepaid cards are not treated any differently than traditional credit or debit cards. They are subject to interchange, assessments and processing fees.

**4. If the company undertakes its own credit card processing functions rather than using a third party, what protections would be put in place to ensure customer information is kept safe?**

Not applicable.

Submitted this 15<sup>th</sup> day of May 2015.

CENTURYLINK

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