

Agenda Date: February 23, 2005
Item Number: A2

Docket: UT-042045
Company Name: VCI Company

Staff: Roger Kouchi, Regulatory Analyst

Recommendation:

Grant a partial, conditional exemption from WAC 480-120-162(2) limiting the transaction fee charged by payment agencies for processing telecommunications company customer payments.

Discussion:

On November 18, 2004, VCI filed a petition for an exemption of the portion of WAC 480-120-162(2) that limits payment agency transaction fees to \$1.00. On December 16, 2004, VCI requested a delay in the open meeting date until January 26, 2005, because of VCI's principal, and attorney were not available to attend the earlier date set to hear VCI's petition.

At the January 26, 2005, Open Meeting, the Commission asked staff and the Company to meet to explore alternative options that cost less, and offer convenient locations. Further, the Commission asked VCI to consider a cost sharing option where the Company would be willing to share a portion of the payment transaction fee cost.

VCI serves over 18,000 customers. Over 99 percent of VCI customers are enrolled in the Washington Telephone Assistance Program (WTAP). WTAP provides financial subsidies for low-income customers' telephone bills.

VCI uses retail facilities that offer a service called Moneygram to process cash and urgent payments. This service costs customers between \$5.00 and \$5.95 per transaction. Over 2,000 VCI customers use the Moneygram payment locations each month.

VCI wants to continue to offer as many convenient payment locations as possible because availability of payment options has reduced its disconnection rate by 50 percent from about 40 percent each month to its current 20 percent (roughly 3,000 customers are disconnected each month).

VCI sends out approximately 4,700 disconnection notices each month. About 1,800 consumers make their payments in time to avoid disconnection (1,000 at Moneygram locations; 800 by check, money order, or credit/debit card). VCI indicated that over 1,000 customers who pay on time use the Moneygram locations because of the convenience.

Payment agencies are very important to customers and especially to low-income customers. Low-income customers are the least likely to have checking accounts, often paying bills in cash just in time to prevent disconnection. These customers need a place where they can make cash payments and urgent payments that must be made by a date certain. Requiring an additional \$5.00 - \$5.95 per month for the Moneygram transaction fee causes hardships for low-income customers.

In reviewing the company's request, Staff considered the convenience to the customer, the costs to the customer, the costs to the company, and the fair and equal treatment of all telecommunications companies and customers. Payment agencies that meet the criteria of WAC 480-120-162(2) are available. Qwest has approximately 60 such payment agencies statewide that charge \$1.00 or less to process cash and urgent payments. The Commission has not granted an exemption from this rule for any company to date.

Staff provided VCI with a listing of potential payment agencies to include ACE and Seven-Eleven Choice Pay options. VCI is willing to add approximately 65 new payment agencies located predominately in the Seattle, Tacoma, Olympia, Vancouver, and Spokane areas. The Company agreed to absorb the portion of the transaction fee amount over \$1.00 (i.e., 50 cents to \$2.00). VCI's agreement is contingent upon the Commission's approval to waive the \$1.00 transaction fee at the Moneygram locations. The Moneygram locations charge between \$5.00 and \$5.95 per transaction.

The added 65 locations are located in cities that have approximately 14,000 VCI customers. This is almost 75 percent of VCI's customer base.

During several meetings and telephone discussions between staff and VCI, there was general agreement to a temporary exemption from WAC 480-120-162(2) with the following conditions:

- a. VCI will provide a one-time notification, to its customers about the new payment locations, cost to the consumer, and a list of all the new payment locations. The language in the notice will be developed jointly and approved by Commission staff.
- b. VCI will provide notification on each ongoing bill regarding the new payment agency locations showing the transaction fee for each category of payment agency (e.g. ACE Check Cashing, Seven-Eleven, or Moneygram). The language will be developed jointly and approved by Commission staff.
- c. VCI will provide information on each of its bills about the preferred payment date option to match the customers' source of income to the due date. The language will be developed jointly and approved by Commission staff.
- d. VCI will absorb the portion of the transaction fee amount over \$1.00 at the ACE, and Seven-Eleven payment locations, and any subsequent locations added.

- e. VCI will be allowed to continue using Moneygram payment locations that charge transaction fees of \$5.00 - \$5.95 for ten months.
- f. VCI and Commission staff will jointly develop a consumer survey to determine VCI's customer preference for payment agency locations and preferred payment date. The Company will mail out the consumer surveys by October 10, 2005. The results of the survey will be provided to the Commission not later than November 15, 2005.
- g. VCI will collect and report the following information for the period April 1, 2005 – September 30, 2005. The report will be due at the Commission not later than October 30, 2005.
 - Number of customers using ACE Checking, Seven-Eleven, and Moneygram locations by month.
 - Number of late payments by month.
 - Number of consumers paying late that used a payment agency by type (i.e., ACE, Seven-Eleven, or Moneygram) by month.
 - Number of customers using preferred payment dates by month.
 - Total customer base by month.

Staff believes that a 10 month trial period would allow time for the Company to find additional payment agencies that charge a transaction fee of \$1.00 or less. The trial period also allows time to collect additional information regarding the consumer's preference for convenience or lower cost payment agencies.

Conclusion:

Staff recommends the Commission grant a temporary, conditional 10 month exemption of WAC 480-120-162(2), limiting the transaction fee charged by payment agencies for processing telecommunications company customer payments. This will allow sufficient time to find additional payment agencies which charge transaction fees of \$1.00 or less, and track the consumers' preference for the lower cost payment agents such as Seven-Eleven and Ace Checking versus the higher cost and greater convenience of the Moneygram locations. At the end of the trial period, the Company agreed to mail a customer survey, developed jointly with Commission staff, to determine whether consumers preferred convenience or if they are willing to travel further to get to a payment agency that charge \$1.00 or less.

Staff recommends that the Company be required to provide a one-time notification, developed jointly with Commission staff, to consumers about the new payment locations along with a list of all the new payment locations for Ace Checking and Seven-Eleven locations.

Staff recommends that the Company be required to include additional information, developed jointly with Commission staff, on the back of its monthly billing statements regarding the additional payment agencies that charge only \$1.00 and the availability of preferred payment dates to coincide with the consumer's receipt of income.