

Agenda Date: February 8, 2006  
Item Number: A1

**Docket:** UT-042045  
Company Name: VCI Company

Staff: Roger Kouchi, UTC Regulatory Analyst

**Recommendation:**

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

**Discussion:**

On February 23, 2005, the Commission issued Order No. 01, granting VCI a ten-month temporary exemption from WAC 480-120-162(2) that limits payment agency transaction fees to \$1.00. The Commission ordered VCI to establish a ten-month trial period to allow time for VCI to find additional payment agencies that charge a transaction fee of \$1.00 or less and to permit VCI to collect additional data to determine what consumers want (i.e., convenient payment agencies and low cost).

VCI completed all the conditions of the temporary exemption required by Order No. 01.

1. VCI added over 65 new payment agent locations (ACE Checking and Choice Pay) since the trial period began on February 23, 2005. Consumers pay \$1.00 at these locations.
2. VCI agreed to continue to absorb transaction costs that are over \$1.00 at ACE Checking and Choice Pay (Seven Eleven) locations. The number of customers paying at ACE and Choice Pay continues to increase from 140 (6 percent of all customers paying at a payment agency) in April 2005 to 841 customers (21 percent of all customers paying at a payment agency) in November 2005.
3. VCI informed its customers of the new payment locations and includes this information on the back of each bill. (see Attachment 1)
4. VCI informed its customers of the option for preferred payment date that matches source of income to the due date and includes this information on the back of each bill. (see Attachment 1)
5. VCI submitted customer payment data from April to November 2005. (see Attachment 2)

6. VCI submitted customer survey data to determine consumer preferences for payment agencies. The survey (see Attachment 3) was developed jointly by VCI and Commission staff.

**Findings:**

VCI's customers use payment agencies regularly to pay bills.

- Customer payment data (attachment 2) from April to November 2005 show that on average, about 14 percent of VCI's customers pay at payment agencies each month.
- The number of customers paying at payment agencies increased from 13.4 percent in April 2005 to 17.3 percent in November 2005.
- 79 percent of customers paying at a payment agency are still using MoneyGram.
- The number of customers paying \$1.00 transaction fee at Ace and Seven Eleven grew from 6 percent in April 2005 to 21 percent in November 2005.

Survey results show that consumers want payment agencies. Here is a summary of the responses:

- 73 percent stated that they would continue to use a payment agency even if preferred payment date is available.
- 65 percent rated the availability of payment agencies as important to very important.
- 30 percent cited convenience as a reason for using a payment agency.
- 22 percent said they didn't have a checking account.
- 20 percent use a payment agency to avoid disconnection of service.

**Conclusions:**

- The availability of payment agencies is important to VCI customers.
- Customers like the convenience offered by MoneyGram even though the transaction costs are between \$6.00 - \$6.50.
- A growing percentage (currently over 20 percent) of customers paying at payment agencies are using Ace and Seven Eleven.

**Recommendation:**

Staff recommends that the commission grant a permanent conditional exemption from WAC 480-120-162(2) limiting the transaction fee charged by payment agencies for processing telecommunications company customer payments.

Staff recommends that the commission include the following conditions.

- Continue to use MoneyGram locations.
- Offer ACE, and Seven Eleven (Choice Pay) locations.
- Absorb the transaction costs above \$1.00 for the ACE and Seven Eleven locations.
- Notify customers of preferred payment date options on the back of the monthly invoice.
- Notify customers of the additional payment locations at ACE and Seven Eleven on the back of the monthly invoice and verbally when consumers contact the company about a disconnect notice.

Attachments - 3