



SERVICE DATE

APR 20 2015

STATE OF WASHINGTON

UTILITIES AND TRANSPORTATION COMMISSION

1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250

(360) 664-1160 • www.utc.wa.gov

April 20, 2015

NOTICE OF OPPORTUNITY TO FILE WRITTEN COMMENTS

(By Friday, May 15, 2015)

and

NOTICE OF WORKSHOP

(Set for Tuesday, June 9, 2015, at 9:30 a.m.)

Re: Consumers Using Credit Cards to Pay for Services, Docket A-150561

TO ALL INTERESTED PERSONS:

On April 6, 2015, the Washington Utilities and Transportation Commission (Commission) established Docket A-150561 to investigate current utility and transportation industry practices regarding credit card payments by customers, and to reevaluate the regulatory framework surrounding these payments.

WRITTEN COMMENTS

The Commission is now soliciting written comments on this matter. Comments from interested parties will be filed with the Commission under this docket. Stakeholders are encouraged to submit written comments with the Commission on the issues identified below:

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?

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
 - Check or money order (also compare by mail/dropbox to those made in person)
 - Electronic check
 - Credit card (also compare paying over the phone to online)
 - Debit card (also compare paying over the phone to online)
 - Automated Clearing House (ACH) financial transactions
 - Other
3. Please provide an indication of the number of payments, and dollar volumes, made using each method.
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.
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?
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?
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?
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?

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?

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

Written comments must be filed with the Commission no later than **5:00 p.m., May 15, 2015**. The Commission requests that comments be provided in electronic format to enhance public access, for ease of providing comments, to reduce the need for paper copies, and to facilitate quotations from the comments. Comments should be in .pdf Adobe Acrobat or in Word 97 or later version. Comments may be submitted via the Commission's Web portal at www.utc.wa.gov/e-filing or by e-mail to the Commission's Records Center at records@utc.wa.gov. Alternatively, comments may be submitted by mailing or delivering an electronic copy to the Commission's Records Center on a flash drive or compact disk. Comment submissions should include:

- The docket number of this proceeding (A-150561)
- The commenting party's name.
- The title and date of the comment or comments.

Comments delivered by mail or courier should be addressed to: Steven V. King, Executive Director and Secretary, Washington Utilities and Transportation Commission, P.O. Box 47250, 1300 S. Evergreen Park Drive S.W., Olympia, WA 98504-7250. The Commission will post on its website all comments that are provided in electronic format. The website is located at www.utc.wa.gov.

STAKEHOLDER WORKSHOP

In addition to collecting written comments, the Commission has scheduled a stakeholder workshop to review and discuss the resulting findings. Interested persons are invited to attend the stakeholder workshop on **Tuesday, June 9, 2015, beginning at 9:30 a.m., in Room 206, Richard Hemstad Building, 1300 S. Evergreen Park Drive S.W., Olympia, Washington.**

The Commission prefers that interested persons participate in person and share ideas in a workshop setting, but if this imposes a hardship, interested persons may participate in the workshop via the Commission's teleconference bridge at **(360) 664-3846**.

If you have questions regarding this docket, you may contact staff lead, Christopher S. Hancock, at (360) 664-1312, or by email at chancock@utc.wa.gov.



STEVEN V. KING
Executive Director and Secretary



May 13, 2015

RE: Consumers Using Credit Cards to Pay for Services, Docket A-150561
Response to Requests for Feedback

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?
 - a) Washington Water uses a third party payment processing company to allow its customers to make payments using their bank debit cards and payments from their Visa, MasterCard and Discover Cards only. We do not accept electronic checks through this payment service. There is no "direct fee" to the customer when they use the services. The fees are charged to Washington Water and passed on to all of our customers\ratepayers as a part of our general operating expenses.
 - b) Customer who don't use the system to make payments with their cards, still have access to the system to review and print their statements and check their water usage information.
 - c) Attached to my written comments is a sheet showing the expenses that Washington Water incurs and they are listed under: First Billing View & Presentment and Heartland.
- 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 evaluation.
 - a) Cash - Cost to process checks manually are embedded in our employees wages and general operation costs. Our bank charges a "per" deposit fee of \$1.25 (for 250 items) and also charges a per check fee of \$.05 each.
 - b) Check or Money order – Same as above
 - c) Electronic Check – we do not accept electronic checks
 - d) Credit cards – cost is \$1.35 per transaction and .018 per customer per month.
 - e) Debit cards – same as above
 - f) Automated Clearing House (ACH) – ACH File fee of \$20.00 per file and a transaction fee of .03 cents per item.
 - g) Other – N/A
- 3) Please provide an indication of the number of payments, and dollar volumes, made using each method.
 - a) See attached work sheet for our counts for January, February and March 2015

- 4) Please provide an indication of the average cost to process a transaction for each of the above forms of transactions. Please also calculate the average bill for each type of payment method.
- a. Our company average bill for 825 cubic feet of water is \$52.46. This average can fluctuates based on winter and summer usage.
 - b. Costs to process each type of transaction have been listed under question number 2 above and are also listed below.
 - i. Cash – embedded in our rates and included wages and transaction costs to deposit to the bank.
 - ii. Check or money order – same as above
 - iii. Electronic Check – we do not accept
 - iv. Credit cards – cost is \$1.35 per transaction and .018 per customer per month.
 - v. Debit cards – same as credit cards
 - vi. Automated Clearing House (ACH) – ACH file fee of \$20.00 per file and a transaction fee of .03 cents per item in file.
 - vii. Other – N/A
- 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 payment?
- a. No – the costs are included in our general operating costs and passed on to our entire customer's. We have uniform billing rates that are the same for all of our customers.
- 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?
- a. First and foremost – our customers are demanding services that allow them to have access to their account 24/7 and they are also demanding more convenient ways to pay their bills and access the information. During our last three rate filings many of our customers expressed the need and interest in having online service to make payment.
 - b. We see the benefit of receiving the cash more quickly.
 - c. Some companies cannot offer these services because of the number of customers they have. Most vendors want you to have a certain number of customers before they will work with you.
- 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?
- a. Processing companies are better suited to protect and handle customer's sensitive credit card information and the customer is responsible because they have provided the information to the third part vendor.
 - b. Some of the third party vendors are banks. They don't charge direct to customer fees but instead burry their fees in the customer's monthly service charges or account fees. Some banks do charge for processes.

- c. **Other banks bill the direct customer (utility) and then the fees are passed on to the utility's customers in their general rates.**
- 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?**
- a. **If a customer pays with a credit card or a check there are fees involved. With a credit card payment. If a check is processed the bank charges the utility a per check fee.**

Costs and Benefits for adopting customers:

Some customers may prefer automatic payments using a credit card 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?**
- a. **Advantages – customer can pay at their convenience (24/7) even when staff are not in the office and can have access to their account statements, receipts and water usage information.**
 - b. **Customer is in charge of their credit card and personal information. If they have an identity theft occur, banks are able to provide protection measures on their credit cards and dispute processes.**
 - c. **Our customers have and do demand these services. They want the convenience to access their account and pay the way they want to.**
 - d. **Customer does not have to purchase expensive checks from banks to make their payments.**
 - e. **Disadvantages – Utilities may charge customers more than the fees cost to process the payments. Fee should only be set to recover the actual costs of the processes, software and transaction fees.**

Consumer Protection Issues:

- 1) **Several utilities currently allow customers to sign up for automatic billing through their checking accounts. How these customers are treated and indemnified when there are billing mistakes? For example, does the company provide account credits or refunds to the customers' checking accounts?**
- a. **If a billing error occurs regardless of whether the customer is paying from a credit card or a checking account. The account is audited and a credit or fee reversal is processed if it is determined that an error occurred.**
- 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.**
- a. **Unbanked customers payments are processed in the same way as any other customer. We accept pre-paid cards. If the card issuer has a fee**

associated with the transaction that is between the card issuer and the card holder.

- 3) Are pre-paid debit cards, such as those offered by MasterCard or Visa, treated any differently than traditional credit or debit cards?**
 - a. No – not by our organization.**

- 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?**
 - a. If companies hold and process their own payments internally they have to meet all federal requirements and be PCI compliant with encryption and storing of customer credit card information. This would require a dedicated computer IS team and staff to ensure compliance and there is risk and more liability.**
 - b. Using a third party vendor places the responsibility of storing and protecting the information on them. Then the company just needs to verify each year that the third party vendor they are using is in compliance with federal standards.**

Comments Provided by:

**Susan Hull, Customer Service Manager
PO Box 336 Gig Harbor WA 98335
(253) 851-4060
shull@wawater.com**

Attachments: Cost Work Sheet

