

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION**

In Re:            Investigation into the Feasibility            )  
                      of Using Credit Cards as a                    )            Docket No. 3569  
                      Method of Paying Utilities Bills                    )

**COMMENTS OF THE NARRAGANSETT ELECTRIC COMPANY  
CONCERNING THE PROPOSED RULES GOVERNING THE  
ACCEPTANCE OF CREDIT CARDS BY UTILITY COMPANIES**

In this docket, the Public Utilities Commission (“Commission”) has determined that if a utility desires to accept credit cards as a form of payment, it should be entitled to make that management decision and provide customers with the most cost-effective means of utilizing their credit cards. The Commission also determined that the “cost causer,” or person using the credit card, should be responsible for the associated fees. In accordance with these principles, on April 5, 2004, the Commission proposed draft rules governing the acceptance of credit card payments by utilities.

The Narragansett Electric Company (“Narragansett Electric” or the “Company”) supports the draft rules. Narragansett Electric does, however, have a few significant comments and edits to the draft rules. The Company has attached to these comments a redlined version of the Commission’s draft rules which contains the Company’s suggested edits (Attachment A).

First, the Company seeks to modify the definition of “Credit Card” in Section III.D. to include payment by electronic checks and ATM cards, as discussed at the technical session on March 12, 2004. Accordingly, the Company suggests adding the following underlined words to the definition for clarity.

“Credit Card” shall include traditional credit cards, a debit card issued by a financial institution which is imprinted with a card association symbol such as Visa or Master Card, ATM cards and electronic checks.

Second, the way that the draft rules are written appears to prohibit utilities from offering credit cards to only residential customers. See Section IV.B., Applicability. It is the Company’s understanding that a predominant factor in establishing the level of the convenience fee is the anticipated average payment amount per transaction. Customer classes in general have differing billing amounts due to the size of customers in these classes, with commercial and industrial customers overall have larger balances than residential customers. As discussed in the technical session, there are higher costs to process larger transaction amounts. Reflecting all customers in one group will likely result in a higher convenience fee for the residential customer class, which makes up the majority of a utility’s customer base. As an alternative, Narragansett Electric believes the rules should allow a utility to either offer this payment option to residential

customers only or to allow for a different convenience fee for the non-residential customer classes. Narragansett Electric has inserted suggested language to this effect in Attachment A.

Third, Narragansett Electric agrees with the Commission that partial payments on a credit card should be accepted by utilities. See Section V.E. As the Commission is aware, customers frequently make partial payments on their accounts. The Company is concerned, however, about what appears to be limiting language in this section of the draft rules indicating that utilities can only accept partial payments on a credit card if it is in conjunction with admission to a payment plan pursuant to the Commission's rules governing termination of service. This requirement would require the Company to coordinate and share confidential customer information with the third party vendor that processes the credit card payments to identify those customers who are on payment plans or the minimum payment required to a customer at a particular regulatory payment plan step. This seems complicated and unnecessary. Accordingly, we recommend striking everything after the word "credit card" on the first line, and changing "may" to "will." This provision can be struck without diminishing or otherwise affecting the Company's continuing obligations under the Commission's rules governing termination of service. Thus, the revised rule would require utilities to accept partial payments on credit cards under any circumstance.

The Company is concerned about the language in Section VI.A. specifying that the Company "*has a duty* to enter into the most cost effective contract." The Company recommends changing "has a duty" to "will endeavor." This change would make the rule consistent with Section VI.B., which requires the Company to act in a prudent manner on behalf of all ratepayers.

The Company also seeks to change the word "answer" in the phrase "answer in the affirmative" in Section VII.B. to "indicate in the affirmative." The reason for this change is that a customer may accept the amount of a convenience fee by pushing a specific button on the telephone or by clicking the button on a web page from "don't accept" to "accept." The Company wants to ensure that these measures will meet the requirements of the rules. These measures demonstrate "indicating" in the affirmative, rather than "answering" in the affirmative.

Finally, Section VII.E. addresses the concept that the Company should provide assistance to its customers in their choice to utilize credit cards, including resolution of disputes between the third party vendor or bank involving payment of the Company's bill. The Company suggests changing the words "support of its customers" to "assistance to" its customers. While the Company may not be able to resolve the disputes, the Company can certainly "aid in" the resolution of disputes. These changes would also clarify that the regulations are not intended to preempt the credit card companies' own dispute resolution procedures.

The rest of the Company's edits are minor in nature and are identified in Attachment A.  
Thank you for the opportunity to provide comments on the draft rules.

**THE NARRAGANSETT ELECTRIC COMPANY**

By its Attorney,

TERRY L. SCHWENNESEN, ESQ.



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**CERTIFICATE OF SERVICE**

I hereby certify that on this 3<sup>rd</sup> day of May 2004, I caused to be mailed a copy of  
the within Comments to the service list in Docket No. 3569.



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Joanne M. Scanlon  
The Narragansett Electric Company

APPENDIX A

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS  
PUBLIC UTILITIES COMMISSION

RULES GOVERNING THE ACCEPTANCE OF CREDIT CARDS  
BY UTILITY COMPANIES

MARKED TO SHOW CHANGES PROPOSED BY  
THE NARRAGANSETT ELECTRRIC COMPANY

Date of Public Notice: April 5, 2004

Date of Public Hearing: April 21, 2004

Effective Date:

## **I. Purpose, Methodology and Findings**

The purpose of the Rules Governing the Acceptance of Credit Card Payments by Utilities is to standardize the procedures and financial responsibility for the costs associated with the acceptance of credit cards.

The Commission initiated Docket No. 3569 on October 8, 2003 to Investigate the Feasibility of Using Credit Cards as a Method of Paying Utility Bills. Data Requests were propounded and the responses showed that there was an inconsistency in the way utilities that were accepting credit card payments, processed them and allocated the associated costs. It appeared from the responses that credit card fees made that method one of the most expensive methods of accepting payments for utility bills. Further information indicated that the Rhode Island Division of Taxation allows the payment of State Income Taxes through an independent third party credit card processing company which assesses a convenience fee to the taxpayer using the credit card.

The Commission conducted a Technical Record Session on March 12, 2004 to learn more about the way credit card payments can be handled by a utility, including a presentation made by a third party credit card processing company. One member of the public attended and supported the idea of allowing ratepayers to use credit cards, but opposed passing along those fees to other customers. Representatives from several of the utility companies indicated that there has been strong interest from customers in having the option to use their credit cards to pay their utility bills.

On March 18, 2004, at an open meeting, the Commission determined that if a utility desires to accept credit cards as a form of payment, it should be entitled to

make that management decision and provide customers with the most cost-effective means of utilizing their credit cards. However, the Commission also determined that the “cost causer,” or the person using the credit card, should be responsible for the associated fees. Therefore, the Commission is proposing the following Rules.

## II. Statutory Authority

The Commission has the statutory authority to promulgate these Rules under R.I.G.L. §§ 42-35 et seq., 39-1 et seq., 39-2 et seq.

## III. Definitions

- A. “Commission” shall mean the Public Utilities Commission.
- B. “Division” shall mean the Division of Public Utilities and Carriers.
- C. “Company” or “Companies” shall mean each public utility operating in the State of Rhode Island to whom these Rules are applicable.
- D. “Credit Card” shall include traditional credit cards a debit card issued by a financial institution which is imprinted with a card association symbol such as Visa or Master Card, ATM cards, and electronic checks.
- E. “Third Party Vendor or Bank” shall mean the entity which processes the credit card payments on behalf of the utility.
- F. “Convenience Fee” shall mean the Third Party Vendor or Bank costs associated with the use of a credit card to be paid by the customer using the credit card.

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## IV. Applicability

A. Companies: These Rules shall be applicable to all electric distribution companies, natural gas distribution companies, incumbent local exchange carriers, and regulated water and sewer utilities operating in the State of Rhode Island.

B. Customers: These Rules shall apply to residential, commercial, and industrial customers.

**V. Terms of Acceptance of Credit Cards**

A. Each Company may choose to accept credit cards as a form of payment for the satisfaction of the amounts due from their customers, at the customer's option. Credit card use may be offered to residential customer classes only or to all customer classes, at the option of the Company.

B. A Company that chooses to accept credit cards as a form of payment shall not pass any of the associated costs on to any customers not choosing to pay with their credit cards.

C. A Company may choose which "brand" of credit cards to accept, such as Visa, Master Card, American Express, Discover, etc. A Company is not required to accept every "brand" of credit card.

D. The level of the Convenience Fee may differ among different customer classes.

E. A Company may not deny a customer the use of his or her credit card solely because the utility account is in arrears.

F. A partial payment will be accepted on a credit card.

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**VI. Administration**

- A. A Company that chooses to accept credit cards will endeavor to enter into the most cost effective contract on behalf of its customers with a Third Party Vendor or Bank.
- B. While the Commission does not set the level of the Convenience Fee, it will be up to the Company to act in a prudent manner on behalf of all of its ratepayers.
- C. While the Commission is not requiring a Company to choose its vendor through a competitive bid process, if a Company does not choose its vendor through a competitive bid process, it must provide evidence to the Commission sufficient to show that the Company utilized the most cost effective means for customers to use their credit cards.
- D. The Commission shall have the right to review any agreement entered into with a Third Party Vendor or Bank and disallow recovery by the Company of any fees or costs associated with the use of credit cards by a customer that are not recovered from the cost-causing customer.
- E. All Companies accepting credit cards must file a Tariff with the Commission setting out the Terms and Conditions of credit cards as a method of payment at least thirty (30) days prior to the commencement of accepting credit cards.

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**VII. Customer Relations**

- A. Each Company accepting credit cards shall provide a direct telephone transfer, at no cost to the customer, from its Customer Service Center

to its Third Party Vendor or Bank for customers who call in to the Company and who choose to pay by credit card.

B. Each customer choosing to pay by credit card shall be notified prior to providing his or her credit card number, of the amount of the convenience fee and must indicate in the affirmative to continue with the payment process.

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C. Each Company that maintains a website shall include information and a summary of all payment methods, including any additional fees, and shall include links to its Third Party Vendor or financial institution's website.

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D. Each Company, upon commencement of the acceptance of credit cards, shall provide its customers with a notice including information regarding all payment methods, including how to pay by credit card, including disclosure of the convenience fee.

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E. It shall be the responsibility of the Company to provide the necessary assistance to its customers choosing to utilize credit cards as a form of payments, including aiding the resolution of disputes between the Company's Third Party Vendor or Bank that involve payment of the Company's bill.

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F. In recognition that the Division does not regulate the Third Party Vendor or Bank, the Company shall respond to the Division whenever the Division is attempting to assist a customer with a payment dispute that includes the use of a credit card. In addressing payment disputes,

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it shall not be a defense to a Division inquiry or investigation, whether formal or informal, that the Company does not actually process the credit cards.

**VIII. Effective Date for Compliance**

Any utility accepting credit cards prior to the effective date of these Rules, that is not in compliance on the date on which these Rules become Effective, shall be required to come into compliance when their current contract expires, at the next regularly scheduled renegotiation of their contract, or if there is no set date for expiration or renegotiation of the contract, within three (3) months from the Effective Date of these Rules. In no event shall any utility be out of compliance with these Rules after twelve (12) months from the Effective Date.

**IX. Severability**

If any part of these Rules is found to be invalid or its application to any person or circumstances is held invalid, the invalidity does not affect other provisions or applications of the Rules which can be given effect without the invalid provision or application, and to this end, the provisions of these Rules are severable.