



**THE PAWTUCKET WATER SUPPLY BOARD'S
PETITION FOR WAIVER OF
RULES GOVERNING THE ACCEPTANCE OF
CREDIT CARDS BY UTILITY COMPANIES**

**BEFORE THE
RHODE ISLAND PUBLIC UTILITIES COMMISSION**

Docket No.

JUNE 20, 2012

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

IN RE: PAWTUCKET WATER SUPPLY BOARD

DOCKET NO:

PAWTUCKET WATER SUPPLY BOARD'S PETITION FOR WAIVER OF RULES

Now comes the Pawtucket Water Supply Board ("PWSB"), and pursuant to Rule 1.10 of the Rules of Practice and Procedure for the Rhode Island Public Utilities Commission ("Commission"), seeks a waiver from the Commission's Rules Governing The Acceptance Of Credit Cards By Utility Companies. In support hereof the PWSB states as follows:

1. In Docket 3569, the Commission adopted Rules Governing The Acceptance Of Credit Cards By Utility Companies ("Credit Card Rules").
2. The Credit Card Rules prohibit the PWSB from passing on costs associated with credit card payments to its entire customer base.
3. The PWSB seeks relief from the Credit Card Rules so it can encourage customers to use alternative payment methods apart from mailing checks and in-person payments.
4. The State of Rhode Island currently has a contract with Hewlett Packard for the acceptance of credit card and electronic check payments, and the PWSB is eligible to participate in this contract.
5. The costs for accepting electronic payments pursuant to this contract are considerably less than the costs the PWSB's customers currently incur for payments made through electronic checks or credit cards.
6. However, the PWSB cannot participate in this contract if it collects the associated fees from its customers.
7. The PWSB believes that providing cost-free alternative payment methods benefits its customers and the PWSB.
8. The PWSB believes that providing cost-free alternative payment methods will assist its customers in avoiding charges incurred with tax lien sales and shut-offs.

9. The PWSB believes that providing cost-free alternative payment methods will assist in collections.
10. The PWSB believes that it is equitable to absorb the cost of electronic payments because it currently incurs costs for payments made by check and in-person payments that it passes along to the entire customer base.
11. In support of this Petition, the PWSB relies on the testimony of James L. DeCelles, Chief Engineer of the Pawtucket Water Supply Board, and Robert E. Benson, Chief Financial Officer of the Pawtucket Water Supply Board, which is incorporated herein and attached hereto.

WHEREFORE, the Pawtucket Water Supply Board prays that the Rhode Island Public Utilities Commission grant the relief sought herein.

THE PAWTUCKET WATER
SUPPLY BOARD

By its attorney,



Joseph A. Keough, Jr.
KEOUGH & SWEENEY, LTD
41 Mendon Avenue
Pawtucket, RI 02861
(401) 724-3600
(401) 724-9909 (fax)
jkeoughjr@keoughsweeney.com

CERTIFICATION

I, the undersigned, hereby certify that I mailed a true copy of the within to The Office of Attorney General on the 20th day of June, 2012.



TESTIMONY

Of

**JAMES L. DeCELLES
CHIEF ENGINEER**

IN SUPPORT OF

**THE PAWTUCKET WATER SUPPLY BOARD'S
PETITION FOR WAIVER OF
RULES GOVERNING THE ACCEPTANCE OF
CREDIT CARDS BY UTILITY COMPANIES**

**BEFORE THE
RHODE ISLAND PUBLIC UTILITIES COMMISSION**

Docket No.

JUNE 20, 2012

1 **I. INTRODUCTION**

2 **Q. Please provide your full name, title and business address for the record.**

3 A. James L. DeCelles, P.E., Chief Engineer, Pawtucket Water Board, 85 Branch Street,
4 Pawtucket, RI 02860

5

6 **Q. How long have you been employed the Pawtucket Water Supply Board?**

7 A. I was hired as Assistant Chief Engineer on March 14, 2005. I assumed the duties of
8 Acting Chief Engineer in February 2006, and I became Chief Engineer as of June 20,
9 2007.

10

11 **Q. What are you responsibilities at the PWSB?**

12 A. I serve as the general manager of the Pawtucket Water Supply Board ("PWSB"),
13 which includes water supply, treatment, and distribution systems. The PWSB serves a
14 population of approximately 99,167 in the City of Pawtucket, the City of Central Falls,
15 and the Valley Falls section of the Town of Cumberland.

16

17 **Q. Can you provide a brief description of your previous work experience?**

18 A. From May 1988 to February 1990, I worked for the RIDEM Division of Water
19 Resources as a Junior Sanitary Engineer responsible for design review and construction
20 management. From 1990 to 2000, I held the position of Water and Sewer
21 Superintendant for the Town of North Smithfield. As the Superintendant, I was
22 responsible for the complete operation and maintenance of the water and wastewater
23 systems for the Town of North Smithfield. From 2000 to 2005 I was the Utilities
24 Manager for the Town of North Attleboro, MA and was responsible for the management
25 of the water and wastewater systems for the Town.

26

1 **Q. What is your educational background?**

2 A. I hold a Masters Degree in Civil Engineering from Worcester Polytechnic Institute and
3 a BS in Environmental Engineering Technology from Norwich University.

4

5 **Q. Do you have any professional affiliations?**

6 A. I am a registered professional engineer in the State of Rhode Island and a member of
7 the Rhode Island Water Works Association, American Water Works Association, the
8 New England Water Works Association, and American Public Works Association. For the
9 New England Water Works Association, I am a member of the Financial Management
10 Committee and a member of the Program and Legislative Committees, as well as the
11 Executive Board for the Rhode Island Water Works Association. I am also a member of
12 the American Society of Civil Engineers.

13

14 **Q. What is the purpose of your testimony?**

15 A. To support the PWSB's Petition For Waiver from the Commission's Rules Governing
16 The Acceptance Of Credit Cards By Utility Companies ("Credit Card Rules").

17

18 **Q. Please provide an overview of why the PWSB is filing the Petition For Waiver?**

19 A. Currently, the Commission's Credit Card Rules prohibit the PWSB from passing on
20 costs associated with credit card payments to the entire customer base. The PWSB
21 seeks relief from this rule so it can encourage customers to take advantage of
22 alternative payment methods apart from mailing checks and in-person payments.

23

24 **II. PWSB'S CURRENT PAYMENT METHODS AND COST**

25 **Q. Can you explain how the PWSB currently accepts payments from its customers?**

26 A. Yes. The PWSB's customers can currently pay their bill by one of five methods:

27 1. Payment in person at the Pawtucket Water Supply Board or Pawtucket City Hall;

- 1 2. Payment by check;
- 2 3. Payment by credit card;
- 3 4. Payment by electronic check (via internet/web site); and,
- 4 5. Payment by electronic check (via telephone).

5

6 **Q. Can you please explain how PWSB customers pay through electronic check?**

7 A. Electronic checks are transactions authorized by customers and the funds are
8 withdrawn directly from their bank account and transmitted directly to the PWSB's bank
9 account.

10

11 **Q. Do the PWSB's customers pay a fee for credit card and electronic check payments?**

12 A. Yes. Customers paying with credit cards pay fees ranging from \$5.90 to \$18.95 per
13 transaction and customers paying with electronic checks pay a \$1.95 fee. For more
14 detail on these charges, please see the testimony of Robert Benson.

15

16 **Q. Would the PWSB pay the same fee if it did not pass the cost along to its customers?**

17 A. No. The State of Rhode Island currently has a contract with Hewlett Packard for credit
18 card and electronic check payments, and the lower costs under that contract are
19 available to the PWSB.

20

21 **Q. Can the PWSB pass along the costs it incurs to customers under the terms of the
22 State's contract with Hewlett Packard?**

23 A. No. The costs under this contract must be paid by the merchant (State of RI, PWSB,
24 etc.). The PWSB cannot participate in the utility credit card program if our customers
25 have to pay the associated fees.

26

27

1 **Q. What are the costs?**

2 A. As set forth in Schedule REB-1, the cost under the State's contract for credit card
3 transactions would be approximately \$1.44, and the cost for electronic checks would be
4 \$0.40 (via internet/web site) and \$0.90 (via telephone).

5

6 **III. REQUEST FOR WAIVER**

7 **Q. Why is the PWSB making this waiver request?**

8 A. The PWSB believes that providing cost-free alternative payment methods benefits
9 our customers and the PWSB.

10

11 **Q. Can you explain why the PWSB believes that cost free alternative payments
12 methods benefits customers?**

13 A. The Commission established the Credit Card Rules in 2004. Since that time, the
14 manner in which consumers pay for goods and services has changed substantially.
15 Many people now use on-line banking, credit cards and debit cards to pay their bills.
16 There seem to be many reasons for this. Among them are: (1) Convenience - online
17 billing and credit card payments are more convenient than writing checks, purchasing
18 stamps (which continue to increase in cost) and paying in person; and (2) Rewards –
19 many debit and credit card reward programs offer points and cash back based on the
20 amount of credit card use, which provides an incentive to charge routine bills to credit
21 cards.

22

23 In addition, alternative payment technologies are now widely used and accepted. For
24 instance the use of "EZPass" has become the most efficient and cost effective way to
25 pay tolls when travelling. In fact, alternative payment technologies will almost certainly

1 continue to change. Many people now pay for goods and services through smart phones
2 and tablet computers.¹

3

4 By offering no-cost electronic payment options, the PWSB's customers will have a
5 convenient way to pay their monthly water bills, and the PWSB can offer a service that
6 most other businesses already provide.

7

8 **Q. Would cost free alternative payment methods benefit the PWSB's customers in any
9 other way?**

10 A. Yes. The PWSB believes that providing cost-free electronic payments will assist
11 customers in avoiding shut-offs and costly fees associated with tax lien sales. Currently,
12 the PWSB targets accounts with outstanding balances for shut off and tax lien sale. If the
13 PWSB can offer customers additional cost-free payment options, many customers might
14 avoid being placed on the shut-off/tax lien list in the first place. Once a customer is
15 placed on the tax lien list and the PWSB begins incurring costs, the customer must pay
16 these costs (\$250) – along with the balance or an agreed payment plan – to be removed
17 from the list. The PWSB has seen a recent increase in requests to waive the \$250 fee
18 from customers who pay their balance or enter into a payment plan to avoid a tax lien
19 sale. Unfortunately, once the costs are incurred, the PWSB cannot waive them. In
20 addition, if the PWSB terminates service, the customer must pay a \$107.00 restoration
21 fee.

22

23

24

25

¹ See <http://www.forbes.com/sites/ciocentral/2012/05/07/whos-ready-for-mobile-payments-the-u-s-canada-and-kenya/2/>

1 **Q. Have the PWSB's customers requested cost free alternative billing payments?**

2 A. Yes. It is my understanding that our Customer Service department receives routine
3 inquiries about no-cost electronic payment options. The requests increased since the
4 PWSB converted to monthly billing in May 2011. In addition, it is my understanding that
5 ratepayers in other jurisdictions have begun requesting alternative, convenient payment
6 methods.²

7

8 **Q. How will exempting customers from credit card and electronic check fees benefit**
9 **the PWSB?**

10 A. The PWSB believes that affording more cost-free payment options is another tool in
11 helping to provide a consistent revenue stream through timely bill payment. The current
12 cost of paying with electronic checks or credit cards may discourage customers from
13 using these payment methods. Eliminating this cost may increase customer payments.
14 According to Schedule RB-2, electronic check payments have increased 417% and credit
15 card payments increased 166% since the PWSB moved to monthly billing. The PWSB
16 believes that these numbers will increase further if customers do not have to incur costs
17 for alternative payment methods.

18

19 In addition, the PWSB believes that cost-free alternative payment methods will reduce
20 in-person payments. Processing in-person payments uses valuable staff time that can be
21 better used for other tasks. In fact, some utilities have calculated that the cost of in-
22 person payment may be substantially higher than other forms of payment.³

23

² See Vermont Department of Public Service Report and Analysis Regarding Consumer Use Of Credit/Debit Cards For Payment of Utility Bills.

³ See Vermont Department of Public Service Report and Analysis Regarding Consumer Use Of Credit/Debit Cards For Payment of Utility Bills.

1 Furthermore, the service termination and tax lien processes are extremely time
2 consuming and heavily consume staff resources. If the PWSB can cut down on
3 terminations and lien sales, our staffing resources can be used for other valuable tasks.

4

5 **Q. Please explain why it is equitable for the PWSB to pay credit card and electronic**
6 **check payment fees and to spread this expense across the entire customer base?**

7 A. The PWSB believes it is equitable to absorb these costs for several reasons.

8

9 First, the cost is minimal. According to Schedule REB-3, the PWSB's annual cost to pay
10 electronic check and credit card fees would be approximately \$2,585.28.

11

12 Second, the PWSB already incurs other billing costs that are spread across its customer
13 base. For instance, as set forth in Mr. Benson's testimony, the PWSB incurs expense for
14 lock-box services. In Fiscal Years 2010 and 2011, this expense was \$20,117.26 and
15 \$20,938.75 respectively. In Fiscal Year 2012, the first full year of monthly billing, Mr.
16 Benson anticipates that the PWSB will spend \$38,066 on lock box expense. All of the
17 PWSB's customers share in these lock box costs even if they do not pay by check. In
18 addition, the PWSB incurs costs associated with in-person payments that all ratepayers
19 share whether they pay in this manner or not.

20

21 More important, all of the PWSB's ratepayers share in negative effects that come from
22 delinquent and missed payments. As the Commission knows, the PWSB's bond
23 indentures dictate the order for funding accounts. The indentures require that the
24 PWSB fully fund the O&M budget, Debt Service Fund and O&M Reserve Fund before
25 funding the remaining restricted accounts, such as the IFR account. The PWSB has
26 already experienced underfunding of the IFR account, which caused delays in capital

1 projects such as the Robin Hollow Dam rehabilitation project. Increased collections will
2 help to alleviate this problem.

3

4 **IV. CONCLUSION**

5 **Q. Does this conclude your testimony?**

6 A. Yes it does.

7



TESTIMONY

Of

**ROBERT E. BENSON
CHIEF FINANCIAL OFFICER**

IN SUPPORT OF

**THE PAWTUCKET WATER SUPPLY BOARD'S
PETITION FOR WAIVER OF
RULES GOVERNING THE ACCEPTANCE OF
CREDIT CARDS BY UTILITY COMPANIES**

**BEFORE THE
RHODE ISLAND PUBLIC UTILITIES COMMISSION**

Docket No.

JUNE 20, 2012

1 **I. INTRODUCTION**

2 **Q. Please provide your full name, title and business address for the record.**

3 A. Robert E. Benson, Chief Financial Officer, Pawtucket Water Supply Board, 85 Branch
4 Street, Pawtucket, RI 02860

5

6 **Q. How long have you held this position?**

7 A. Since January 18, 2005.

8

9 **Q. What are your responsibilities at the Pawtucket Water Supply Board?**

10 A. I supervise and oversee the financial administration of the Pawtucket Water Supply
11 Board ("PWSB") including financial reporting and monitoring financial compliance with
12 all regulations and legal restrictions issued by all regulatory agencies and bonding
13 agreements.

14

15 **Q. Please provide a brief description of your previous work experience?**

16 A. I have over thirty years of progressive financial responsibility in private industry,
17 public accounting and municipal accounting. Prior to joining the PWSB, I held the
18 position of Chief Accountant with the City of Pawtucket. My responsibilities have
19 included managing the accounting department for a fifty million dollar global
20 manufacturer and the City of Pawtucket.

21

22 **Q. What is your educational background?**

23 A. I have a B.S.B.A. and MBA with concentrations in accounting from Bryant College
24 (now known as Bryant University).

25

26 **Q. Do you have any professional certifications?**

27 A. I have been a Certified Public Accountant in the State of Rhode Island since 1988.

1 **Q. Do you have any professional affiliations?**

2 A. I am presently a member of the American Institute of Certified Public Accountants,
3 Rhode Island Society of Certified Public Accountants, Government Finance Officers
4 Association, American Water Works Association, New England Water Works Association
5 and the Rhode Island Water Works Association. I am also a member of the Financial
6 Management Committee of the New England Water Works Association.

7

8 **Q. Have you previously testified before any regulatory agencies on utility rate
9 matters?**

10 A. Yes. I previously testified on behalf of the PWSB in rate filings before the Rhode Island
11 Public Utilities Commission ("Commission").

12

13 **Q. What is the purpose of your testimony?**

14 A. To support the PWSB's Petition For Waiver from the Commission's Rules Governing
15 The Acceptance Of Credit Cards By Utility Companies.

16

17 **Q. Please provide an overview of why the PWSB is filing the Petition For Waiver?**

18 A. As set forth in Mr. DeCelles testimony, the PWSB would like to make it easier for
19 customers to pay their bills, and we believe that the PWSB's collections and cash flow
20 will improve if customers don't have to pay a fee for using credit cards or other
21 alternative forms of payment.

22

23 **II. PWSB'S CURRENT PAYMENT METHODS AND COSTS**

24 **Q. Can you explain how the PWSB currently accepts payments from its customers?**

25 A. Yes. The PWSB's customers can currently pay their bill by one of five methods:

- 26 1. Payment in person at the Pawtucket Water Supply Board or Pawtucket City Hall;
27 2. Payment by check;

- 1 3. Payment by credit card;
- 2 4. Payment by electronic check (via internet/web site); and,
- 3 5. Payment by electronic check (via telephone).
- 4

5 **Q. Does the PWSB currently incur any costs for these services?**

6 A. Yes. The PWSB incurs costs for a lock box service for customers who pay by check. In
7 Fiscal Years 2010 and 2011, this expense was \$20,117.26 and \$20,938.75 respectively. In
8 Fiscal Year 2012, which will be the first year of monthly billing, I estimate the cost to be
9 \$38,066.

10

11 **Q. Do the PWSB's customers pay a fee for any of these services?**

12 A. Yes. As set forth on Schedule REB-1, customers using consumer credit cards pay a fee
13 of \$5.90. This fee increased 14.5% since 2009 when customers paid \$5.15 per
14 transaction. Customers that use commercial credit cards pay a fee of \$18.95 per
15 transaction, which is a 46.3% increase since 2009 when the fee was \$12.95. Customers
16 paying with electronic checks pay a \$1.95 fee.

17

18 **Q. Would the PWSB pay the same fees its customers pay if it absorbed these costs?**

19 A. No. The State of Rhode Island currently has a contract with Hewlett Packard for credit
20 card and electronic check payments, and the costs under that contract are available to
21 the PWSB.

22

23 **Q. Can the PWSB pass along the costs it incurs to customers under the terms of the
24 State's contract with Hewlett Packard?**

25 A. No. The costs under this contract must be paid by the merchant (State of RI, PWSB,
26 etc.). Merchants cannot participate in the utility credit card program if they collect the
27 fees from the customer.

1 **Q. What are the costs?**

2 A. The cost for credit card transactions would be approximately \$1.44. I calculated this
3 cost by utilizing credit card payments made to the PWSB in March 2012 and applying
4 the costs under the State of Rhode Island's contract with Hewlett Packard. (See REB-1).
5 According to the State's contract with Hewlett Packard, the cost for electronic checks
6 would be \$0.40 (via internet/web site) and \$0.90 (via telephone).

7

8 **Q. Has the PWSB experienced an increase in credit card and electronic check
9 payments?**

10 A. Yes, since the PWSB moved to monthly billing, electronic check payments increased
11 417% and credit card payments have increased 166%. (See REB-2) The PWSB believes
12 that electronic check and credit card payments would increase further if no costs were
13 passed on to the customers.

14

15 **Q. What is the percentage of in-person payments as opposed to other forms of
16 payment?**

17 A. In Fiscal Year 2012, 12% of payments were made in person. We would like to offer
18 more convenient, no-cost, payment methods to further reduce this percentage.

19

20 **Q. Have you estimated the total cost if the PWSB absorbed the electronic check and
21 credit card payment fees?**

22 A. Yes. As set forth on REB-3, the PWSB's customers paid \$28,721.15 in fees based on
23 the number of electronic check and credit card payments between August 2009 and
24 April 2012. During that same period, the PWSB would have paid \$6,894.12 in fees, which
25 is 76% less than what our customers paid. The average monthly cost to the PWSB would
26 have been \$215.44, and the annual cost \$2,585.28.

27

1 **III. CONCLUSION**

2 **Q. Does this conclude your testimony?**

3 A. Yes it does.

ELECTRONIC PAYMENT SUMMARY - CREDIT CARDS & ELECTRONIC CHECKS

Credit Cards currently accepted are: **Visa Mastercard Discover & American Express**

Processing Fee Table

	<u>Customer Paid</u>		<u>Utility Paid</u>	##
	Original rates Sept 2009	Current Rates Rev. 9/1/10	current HP State contract	
Consumer credit cards	\$5.15	\$5.90	\$1.44	***
Commercial credit cards	\$12.95	\$18.95	\$1.44	***
Electronic checks (internet/website)	\$2.50	\$1.95	\$0.40	
Electronic checks (telephone calls)	\$2.50	\$1.95	\$0.90	
current postage stamp		\$0.45	\$0.45	

*** The rate of \$1.44 is a proforma calculation of the convenience fees that would be charged if the PWSB was paying the convenience fee to Hewlett Packard (HP) under the terms of the current contract agreement with the State of RI which is also available to all municipalities and government entities. This proforma utility paid convenience fee was computed based upon the actual March 2012 credit card transactions

The original rates as of September 2009 and the current rates revised as of 9/1/2010 are the fees currently charged by HP and paid by the customer (ratepayer) directly to HP.

Hewlett Packard has a Contract Purchase Agreement with the State of RI for Electronic Payment Processing Services (MPA# 450). The current term is 8/1/2010 to 7/31/2013 with the option to renew for two (2) one-year periods.

There is an additional transaction fee of \$0.50 for all payments processed via the toll-free telephone service to cover the costs for the toll-free telephone number.

PAWTUCKET WATER SUPPLY BOARD
ELECTRONIC PAYMENT SUMMARY - CREDIT CARDS & ELECTRONIC CHECKS

Credit Cards currently accepted are: Visa Mastercard Discover & American Express

note 1: PWSB began accepting payments by toll-free telephone & website payment options starting on September 16, 2011

note 2: Effective May 2011 the billing frequency changed from a quarterly cycle to billing all accounts monthly -- The billdate for the first billing of all accounts was 5/17/11 and mailed by 5/20/11.

	# of months	Ave # transactions per month		
		Electronic checks	Credit Cards	Total Electronic Xactions
Since inception		127	110	237
prior to May 2011	20	58	88	146
since May 2011	12	242	146	388
% electronic checks vs. credit cards		62.4%	37.6%	100%
% increase since May 2011		417%	166%	266%

PWSB Electronic Check Payments
Period: 5/1/2010 - 4/30/2012

Electronic Check Payments - Internet & Phone	Number of Transactions				
Checking & Savings Internet - Business	63				
Checking & Savings Internet - Residential	3328				
Total - Checking & Savings Internet Payments	3391	90%			
Checking & Savings Phone - Business	13				
Checking & Savings Phone - Residential	372				
Total - Checking & Savings Phone Payments	385	10%			
Subtotal - Checking & Savings Payments	3776	100%			