



Payment Arrangements & Customer Debt

Austin Energy Utility Oversight Committee
May 28, 2015





Agenda

- Upcoming Council Request
- Bad Debt Expense
- How a Customer Bill Becomes a Utility Expense
- Payment Arrangement Policies
- Customer Debt Increasing
 - FY2014 Policy Change
 - More PA Options Increased Customer Debt
 - Impact on Customers
- Industry Comparison: Payment Arrangements
- Appendix



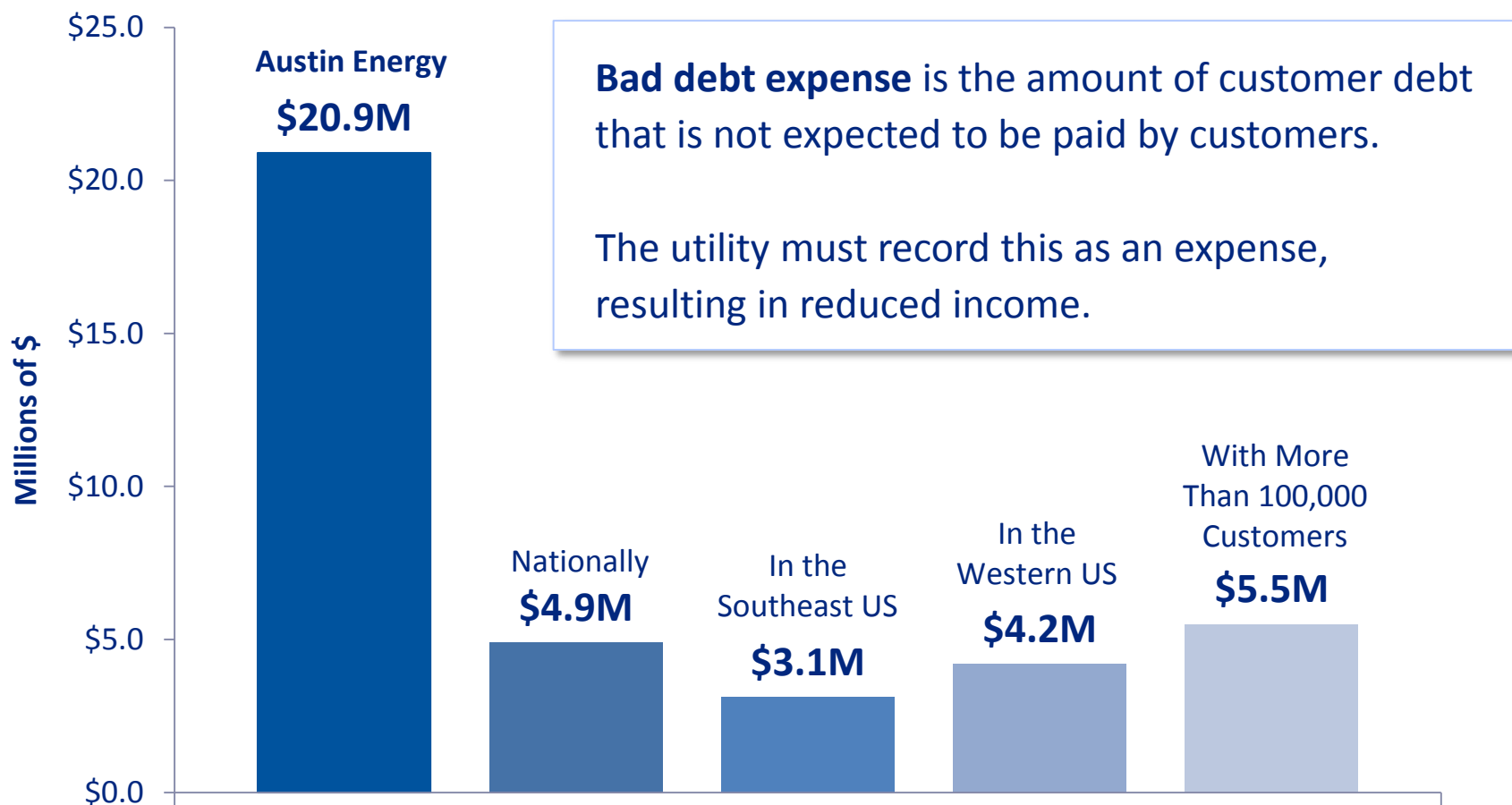
Upcoming Council Request

AE will bring RCA Payment Arrangement (PA)
ordinance to Council on June 18th, 2015



Bad Debt Expense

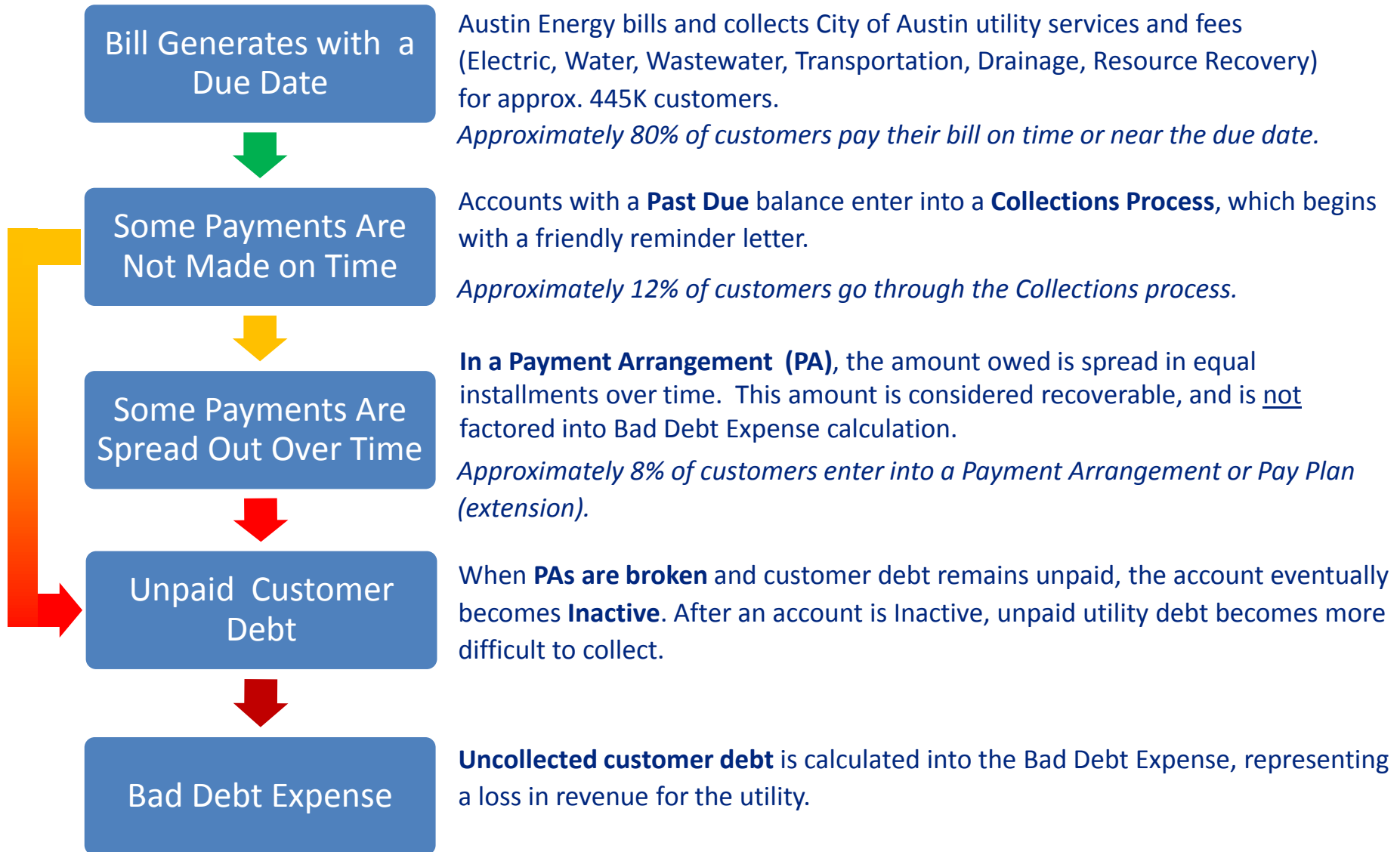
2014 Bad Debt Expense Industry Comparison



AE's Bad Debt Expense is expected to continue to increase under current policy.



How a Customer Bill Becomes a Utility Expense





CAP* Payment Arrangement Policy

Austin Energy offers a **Customer Assistance Program (CAP)*** for qualified low income and/or medically vulnerable customers. These customers receive a variety of **utility bill discounts**.

	Current CAP	New CAP (No Change)
Eligibility	Eligible CAP Discount Customers	
Length of Term	36 Months Payment not to exceed 5% of Federal Poverty Income Level or \$48	
Number of PA's Allowed	3 Payment Arrangements, 4th Payment Arrangement for any customer identifying a "Bona Fide" Reason	
Disconnect	Yes, after 4 broken arrangements	
Down Payment	Yes, equal to first installment	

*Customers who receive any of the following 7 governmental assistance programs are eligible for CAP bill discounts; Medicaid, Supplemental Nutrition Assistance Program (SNAP), Children's Health Insurance Program (CHIP), Travis County Comprehensive Energy Assistance Program (CEAP), Medical Assistance Program (MAP), Supplemental Security Income (SSI), Telephone Lifeline Program



Residential Payment Arrangement Policy

	Current Residential	New Residential
Eligibility	All Residential Customers	All Residential Customers
Length of Term	36 months	24 months
Number of PA's Allowed	3 Payment Arrangements, 4th Payment Arrangement for any customer identifying a "Bona Fide" Reason *	2 Payment Arrangements
Disconnect	Yes, after 4 broken arrangements	Yes, after 2 broken arrangements
Down Payment	Yes, equal to first installment	Yes, 10% of total balance, or 30% if disconnected



Customer Debt Increasing

Customer Debt Over 30 Days Past Due*



8%
per year

FY 2000-2011

Customer debt increased by an **average of \$8.7M** annually, over **11 years**.



28%
per year

FY 2012-2015

Customer debt increased by an **average of \$17.9M** annually over **3.5 years**.

***FY2013:** Revenue increase across all utilities was only 6%.*



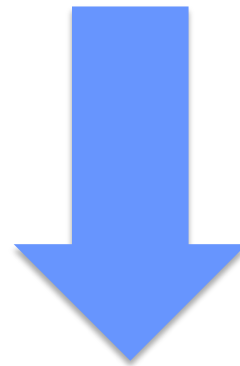
FY2014: Policy Change

FY2014 (fall of 2013) COA Ordinance allowed Customers:

- Lower PA Down payment
- Longer terms/smaller installments
- More opportunities to enter into additional Payment Arrangements on the same debt
- Ability to re-establish service without first paying old debt



Increase in total
number of PAs



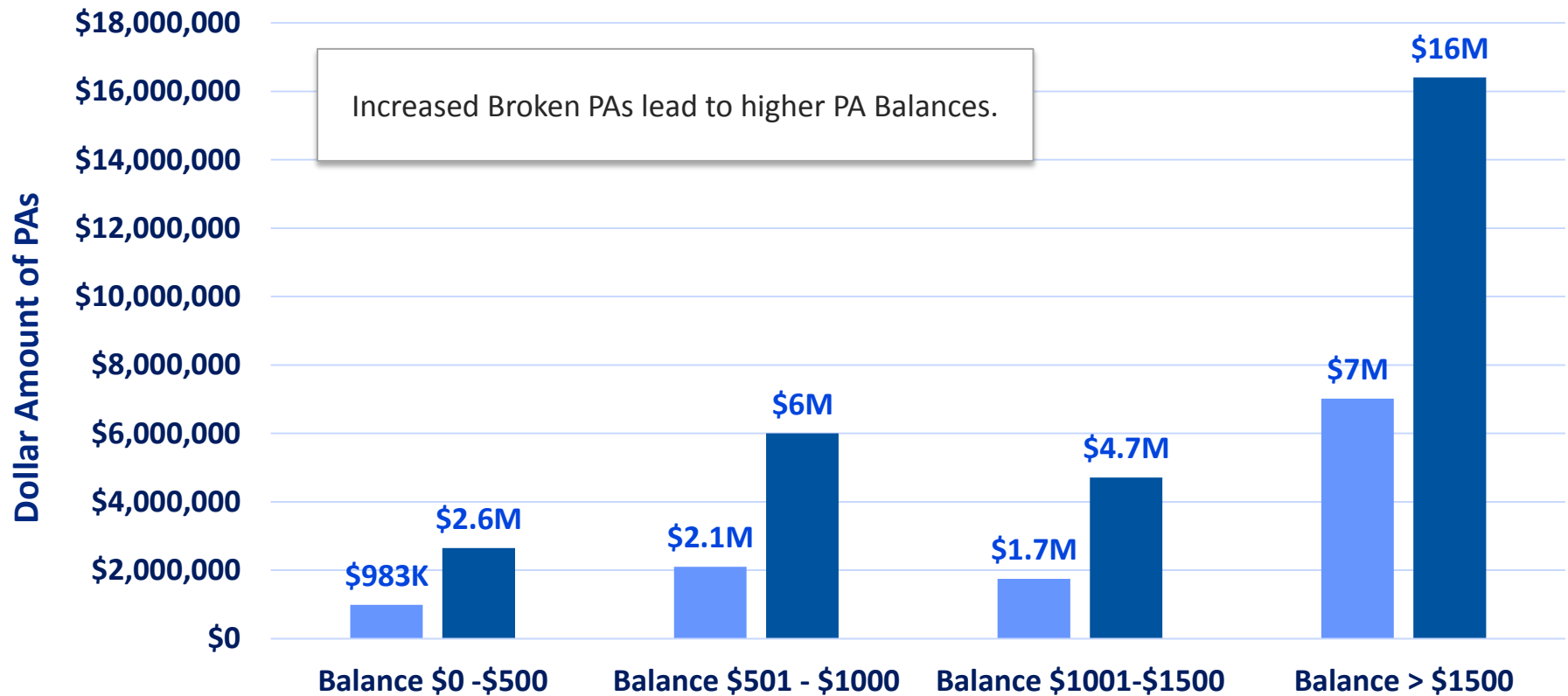
Decrease in
successful
completion of PAs



More PA Options Increased Customer Debt

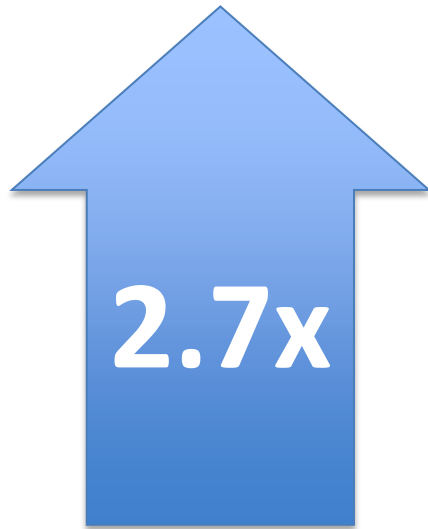
Payment Arrangement Balances

■ 2013 ■ 2015

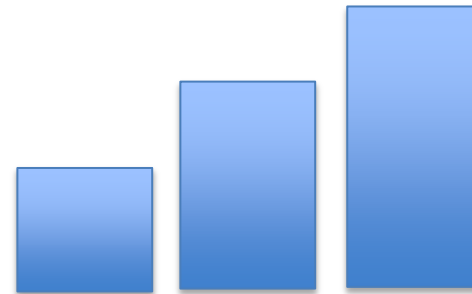




2015: Impact on Customers



As many
Customers are on
PAs in 2015



72%

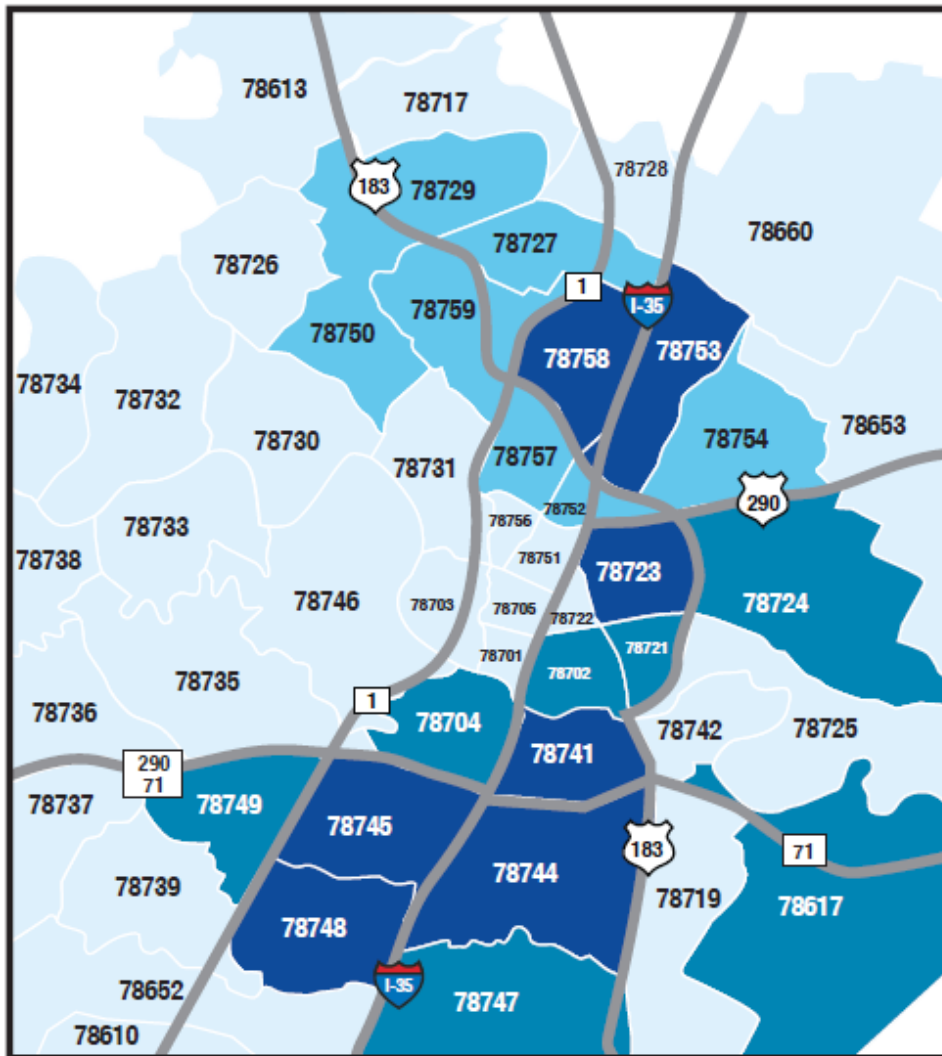
Increase in Total Payment
Arrangement Balances
since 2013

	Accounts with PAs	Total Balance Due
April FY2013	10,244	\$11,845,154
April FY2015	27,760	\$29,761,331

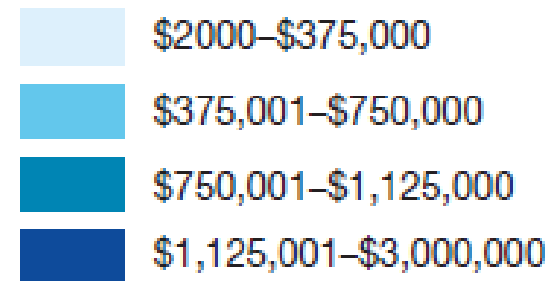


2015: Impact on Customers

Payment Arrangements Are Geographically Dispersed



Total PA \$ Amount by Zip Code





2015: Impact on Customers

Customer A

\$8,745
April 2013 Balance



5 Broken PAs



\$18,578
Balance April 2015



Disconnected
May 2015



\$18,000 Payment
Received May 2015

Customer B

\$143.47
Feb 2014 Balance



3 Broken PAs
2014-2015



\$2,360
Balance Entering 4th PA
March 2015



Payment Arrangements Offered by Other Utilities

Utility	Number of PAs Allowed	Max Term Length (months)	Down Payment
Pedernales Electric Cooperative	1	6	Yes
Bluebonnet Electric Cooperative	1	3	Yes
Salt River Project	1	6+	Yes
City of San Antonio (CPS Energy)	2	12	No
Sacramento Municipal Utility District	1	12	No
Jacksonville Electric Authority (JEA)	1	12	No
Memphis Light Gas and Water	1	5	Yes
Seattle City Light	2	1	Yes
Colorado Springs Utilities	2	1	No
Austin Energy – Current Policy	4	48	Yes*

*equal to first installment



Questions

Thank you!