



Avista Corp.

1411 East Mission P.O. Box 3727
Spokane, Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

January 15, 2016

Public Utility Commission of Oregon
Filing Center
201 High St SE Suite 100
PO Box 1088
Salem, OR 97308

Attention: Filing Center

RE: Avista Tariff Filing 16-02-G

Attached for electronic filing with the Commission are the Company's proposed tariff revisions:

Second Revision Sheet 9B Canceling First Revision Sheet 9B

The purpose of this tariff filing is to revise the rate schedule noted above in order for the Company to have the ability to offer a fee free payment program for its residential customers. This filing is in direct relation to Docket UM 1759, the Company's application ("Application") for an accounting order authorizing accounting treatment of costs related to offering a fee payment program for the Company's residential customers.

Summary of Filing

As described in the Application, Avista customers are subject to a \$3.50 convenience fee when making a credit or debit card payment through any payment channel or a one-time Automated Clearing House (ACH) payment via phone (both through the Company's IVR system or with a Customer Service Representative) and on the Company's website without an "Avista My Account." The \$3.50 convenience fee is collected by a third-party vendor. Avista receives no portion of this fee. The transaction limit for credit/debit card payments (including convenience charges) is \$3,000 per 26-day period per customer.

Payments made by check, cash, pay station, and checking or savings accounts on the Company's website through an "Avista My Account" are free of charge. The costs associated for the Company to offer these methods are paid for by all customers and not recovered exclusively by those specific customers that use that method of payment. As customer expectations change and

more payments are done electronically, utility companies are beginning to offer fee-free payment programs for their residential customers for all methods of payment. As supported by the National Association of State Utility Consumer Advocates (NASUCA) in Resolution 2012-07, “Urging Utilities to Eliminate ‘Convenience Fees; for Paying Utility Bills with Debit and Credit Cards and Urging Appropriate State Regulatory Oversight”¹, and as further explained in this Application, Avista believes it is reasonable to offer a fee-free payment program for all payment methods to its residential customers, and recover the costs associated with such a program from all customers through rates.

In 2014, Avista residential customers made a total of 249,852 payments by credit or debit card and 21,335 one-time payments without a “My Avista Account” (also known as unauthenticated payments) that were subject to a convenience fee. For illustrative purposes, if all of these payments were below the \$3,000 cap and subject to the \$3.50 convenience fee, customers would have paid a total \$949,154 in convenience fees to Avista’s third-party payment processing vendor. If Avista were to pay the costs of card and unauthenticated payments on behalf of its residential customers, the cost per transaction would be at a much lower rate as the major card networks (i.e., Visa and MasterCard) offer a Utility Pay Program where processing costs are much lower. With this model, Avista anticipates the cost to be approximately \$1.50 per transaction. From discussions with other utilities and payment processing vendors, Avista has learned that it is typical for a company that offers a fee-free payment program, which includes debit and credit card payments, to see a range of adoption levels for payments made through the program. Based on this information, the following table illustrates the ranges of costs Avista would expect to incur on an annual basis for the program.

Table No. 1

Payment Scenarios for Fee Free Program	Transaction Count	Charge/Transaction	Total Cost
2014 Payments Subject to Convenience Charge	271,187	\$1.50	\$406,780
10% of residential payments made in 2014*	475,984	\$1.50	\$713,976
15% of residential payments made in 2014*	713,976	\$1.50	\$1,070,964
20% of residential payments made in 2014*	951,968	\$1.50	\$1,427,952
25% of residential payments made in 2014*	1,189,960	\$1.50	\$1,784,940

*Avista received 4,759,839 residential payments in 2014

Avista anticipates that it will have approximately 15% of residential payments come through the fee-free payment program, however, the Company will not know the actual adoption rates until the program is implemented and in place for a minimum of 12-18 months. The Company’s expectation is that the adoption rates will gradually increase to 15% over a two year period with the adoption rates doubling during the first year. This expectation is aligned with what vendors have experienced with other utilities that make the switch from a convenience fee model to a fee-free payment model.

¹ <http://nasuca.org/2012-07-urging-utilities-to-eliminate-convenience-fees-for-paying-utility-bills-with-debit-and-credit-cards-and-urging-appropriate-state-regulatory-oversight/>

Avista has made filings for approval of a fee free payment program with the Washington Utilities & Transportation Commission (WUTC) and Idaho Public Utilities Commission (IPUC) for its Washington and Idaho operations. In order for the Company to offer a fee free program it must receive approval from all three of the Commissions to do so.² If the fee free program is approved, Avista anticipates being able to begin offering the program sometime in the 2nd or 3rd quarter of 2016. The reason the Company is filing for approval of the program so far in advance is due to the technology implementation and integration work that must be done in order to offer the fee free program once approved.

Background

Avista uses a third-party payment processor to process payments on its website, through its IVR system, as well as through the Company’s Customer Service Representatives (CSRs) over the phone. When customers make a payment with a credit or debit card through these channels, or on the Company’s website without an “Avista My Account”, they are subject to a convenience charge. More details about Avista’s payment options are included in the following table³:

Table No. 2

Payment Options

	My Account	Bank Bill Pay	APS	One-Time Payment	Mail a Payment	Pay in Person
	Pay now	Learn more	Enroll now	Make a payment	Learn more	Find pay station
Paper Bill*	✓	✓	✓	✓	✓	✓
Payment Source	Checking or Savings Account	Your Bank	Checking or Savings Account	Credit, Debit, or Checking/Savings Account	Check or Money Order	Cash, Check, Money Order
Payment Options	Customer Scheduled	One-Time or Recurring	Recurring	One-Time Only	One-Time	One-Time
Cost	FREE	FREE	FREE	\$3.50**	Postage	No fee for <i>authorized</i> pay stations
Estimated Time to Post to Account	1 Business Day	See Bank Rules	2 Days Prior to Scheduled Due Date	1 Business Day	Varies - can take up to 7 days or more	3 Business Days
*Or enroll in paperless billing and receive your bill electronically.						
**The \$3.50 convenience charge is collected by a third-party vendor. Avista receives no portion of this fee. Transaction limit for credit/debit card payments (including convenience charges): \$3,000 per account per 26-days.						

As shown in Table No. 2 above, and the footnote of the table, customers paying by credit or debit card are required to pay a \$3.50 convenience charge for payments totaling up to \$3,000

² VISA and MasterCard rules stipulate that if you offer a fee free program to a class of customers you must offer it to all customers of that class that you serve (i.e., residential).

³ This table is provided on the Company’s website at www.avistautilities.com.

within a 26 day period. Payments over \$3,000 by credit or debit card are subject to a 3% transaction fee in lieu of the \$3.50 convenience charge. Customers paying electronically by checking or savings accounts through the IVR or a Customer Service Representative are also charged a \$3.50 convenience charge. Avista receives no portion of the \$3.50 convenience charge. The amount of the charge is determined by the historical average payment amount and payment cap and is set by the payment processor.

The following Table No. 3 provides a summary of payments received by Avista from December 2014 through November 2015 across all customers classes:

Table No. 3

Payment Summary – Dec 14 – Nov 15	Transaction Count	Fees Paid by Avista	Avista Cost per Transaction ⁽³⁾	Customer Cost per Transaction	Payments Received from Customers
Mailed ⁽¹⁾	1,860,702	\$523,346	\$0.28	\$0.00	\$619,241,436
Paystation	220,075	\$167,320	\$0.76	\$0.00	\$32,952,033
Online Payments (Bank bill pay, APS, etc...)	1,695,148	\$107,282	\$0.06	\$0.00	\$323,320,660
ACH - paid with a "My Avista Account"	809,704	\$140,170	\$0.17	\$0.00	\$113,505,583
One-Time Ach - paid without a "My Avista Account" ⁽²⁾	18,999	\$635	\$0.03	\$3.50	\$5,046,334
Credit Card ⁽²⁾	154,179	\$5,140	\$0.03	\$3.50	\$28,059,241
Pinless Debit ⁽²⁾	99,636	\$3,405	\$0.03	\$3.50	\$16,207,333
Total Payments	4,858,443	\$947,299			\$1,138,332,620

(1) Mailed payments include all forms of payments received by mail, through drop boxes, and cash or check payments made in person at Avista's locations where the Company accepts payments. All of these payments are processed by the Company's remittance department. Costs for processing these payments cannot be separated as they are processed together within the same department.

(2) This represents the cost for receiving the funds into our bank and any return fees associated with the payments (Customer pays \$3.50 for these transactions)

(3) Avista's cost per transaction includes various components for each method of payment. The following is included for each payment method: (1) Mailed - labor, supplies, equipment and bank fees, (2) Paystation - monthly fees to pay station vendor and bank fees, (3) Online Payments - bank fees, (4) ACH with "My Avista Account" - vendor fees for processing and wire costs for settlement, and (4) One-Time Ach/Credit Card/Pinless Debit - wire costs for settlement. The cost per transaction for any method does not include technology or Call Center costs for payments made to a Call Center agent.

The transaction costs incurred by the Company for all payment methods are included in general administrative expense and the costs for a particular method of payment are not borne exclusively by those specific customers that use that method of payment.

Avista believes residential customers should not be charged a convenience fee for payments made through any of its payment channels⁴. The requirement to pay a convenience fee when making a payment is one of the largest frustrations customers express and complain about.

⁴ Because commercial customers generally have more methods in which to pay, and their average payment amount is significantly higher than residential, which leads to higher processing costs, at this time Avista is not proposing a fee free program for commercial customers.

Customers have grown accustomed to paying for other products and services with a credit card or debit card without a separate, additional fee. In addition, many local utilities or service providers do not charge a convenience fee, which also leads to customers' dissatisfaction or frustration for paying a convenience fee when paying their Avista bill. NW Natural Gas and Portland General Electric are two investor owned utilities that offer a fee free payment program to residential customers. In Avista's Spokane service territory, customers of Vera Water & Power, Inland Power & Light, Modern Electric, and the City of Spokane do not pay a fee for making a payment. Also, customers of service providers for garbage (i.e., Waste Management), cable (i.e., Comcast), phone (i.e., CenturyLink), and cellular phones (i.e., AT&T or Verizon) do not pay a fee for making a payment.

Eliminating these fees would provide additional options for residential customers to pay their bills. As discussed in the National Association of State Utility Consumer Advocates (NASUCA)⁵ Resolution 2012-07, "Urging Utilities to Eliminate "Convenience" Fees for Paying Utility Bills with Debit and Credit Cards and Urging Appropriate State Regulatory Oversight", additional fees for paying utility bills can be burdensome. The following are excerpts taken from the Resolution:

URGING UTILITIES TO ELIMINATE "CONVENIENCE" FEES FOR PAYING UTILITY BILLS WITH DEBIT AND CREDIT CARDS AND URGING APPROPRIATE STATE REGULATORY OVERSIGHT

Whereas, some individuals, particularly those who lack access to bank accounts and to credit, by one estimate numbering roughly 50 to 70 million,[iv] are unable to write traditional checks or to direct electronic transfers and are therefore finding it difficult to pay utility bills without incurring additional charges; and

Whereas, the convenience fees are making it unnecessarily costly for utility customers, especially low income customers and customers struggling financially due to illness, layoffs or other reasons, to meet their payment obligations and hence to maintain essential utility services; and

Whereas, the conveniences fees make it hard for low income customers, when paying utility bills, to use the payment method that is often most available to them, namely, prepaid debit cards;[viii] and

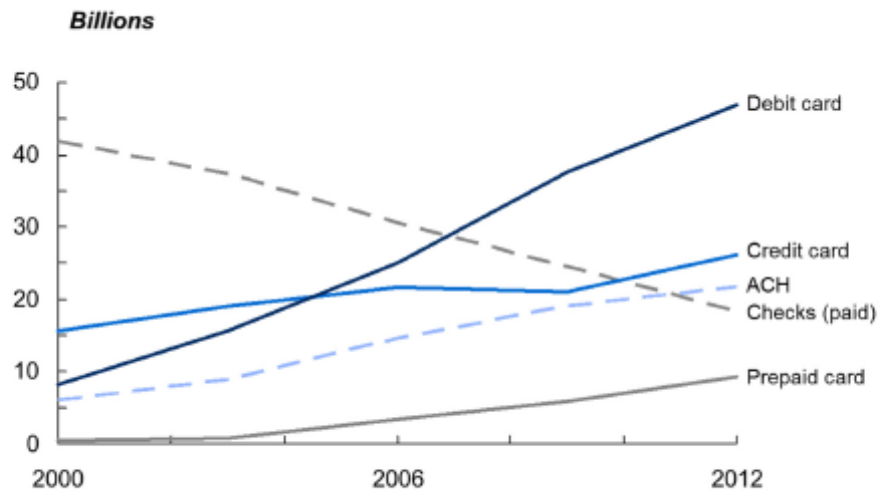
Whereas, convenience fees imposed on debit card use undercut the policy objectives of federal programs (for example, social security) and state programs (for example, child support and unemployment compensation) that issue prepaid debit cards to beneficiaries as an effective and cost-efficient way to manage operational expenses,[ix] by eroding the purchasing power of such cards; and

Whereas, convenience fees repeatedly assessed against utility customers who make multiple payments during the course of a month undercut these customers' ability to apply scarce available funds to payment of actual utility services; and

⁵<http://nasuca.org/2012-07-urging-utilities-to-eliminate-convenience-fees-for-paying-utility-bills-with-debit-and-credit-cards-and-urging-appropriate-state-regulatory-oversight/>

Convenience fees can be burdensome for customers that have limited options for making payments. The trend in payments is moving towards debit, credit, and prepaid cards through electronic channels. This is evident in the following illustration, provided by the Federal Reserve in their 2013 Federal Reserve Payment Study⁶.

Exhibit 1: Trends in noncash payments 2000-2012, by number and type of transaction

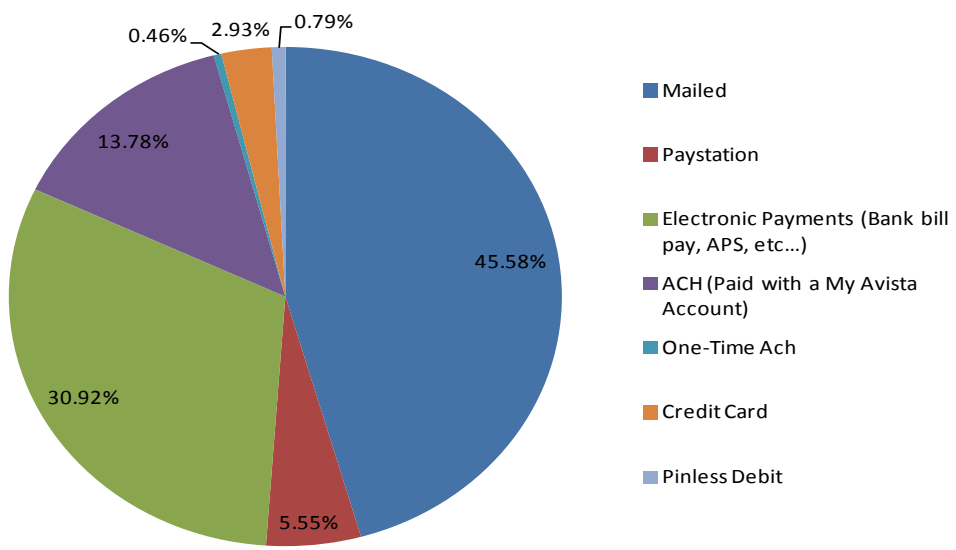


Credit, debit and prepaid card trends include general-purpose and private-label payments.

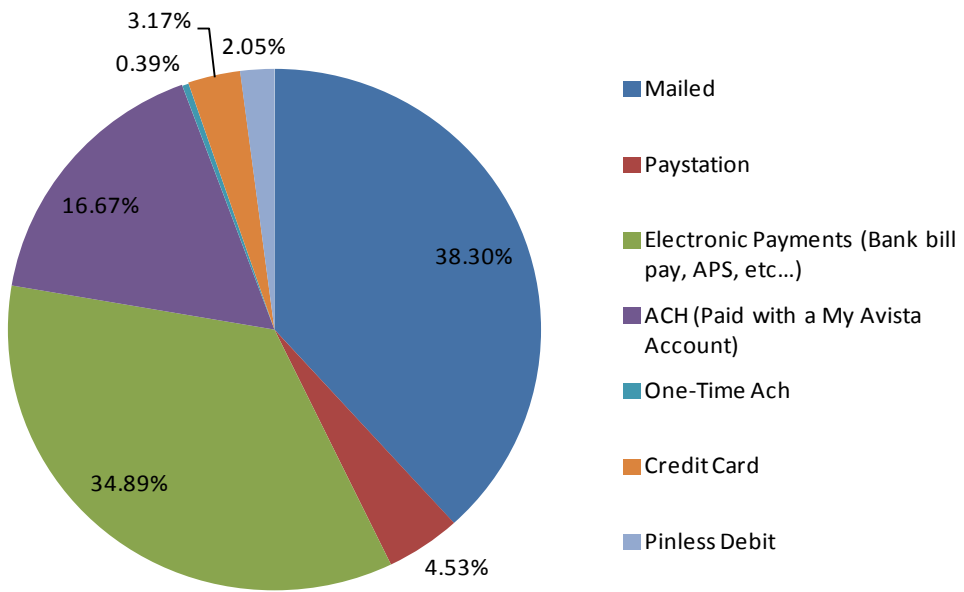
With the growing trend in debit, credit, and prepaid card payments it places even more emphasis on the discussion related to these channels and how the costs should be covered. For Avista, the primary source of payments has remained mailed payments. However, the trend for these types of payments is on the decline as customers turn more to electronic channels. From 2012 – 2015, Avista saw the number of mailed payments decrease from 46% of overall payments to 38% of overall payments. The following chart provides a breakdown of payments by method for Avista from 2012 – 2015:

⁶ The 2013 Federal Reserve Payments Study, July 2014.
https://www.frbsecurities.org/files/communications/pdf/general/2013_fed_res_paymt_study_detailed_rpt.pdf

2012 Payments by Method



2015 Payments by Method



Data is based on December 2014 – November 2015

With the growth in these payment methods, customers will continue to pay more in convenience fees unless there are changes made in how regulated utilities are able to recover these convenience fees.

The option of a fee-free payment when using a credit or debit card would lead to greater satisfaction for all customers that primarily pay for goods and services with these payment methods. There are many reasons why customers would prefer to use their credit or debit card, which may include: (1) receiving loyalty rewards, (2) younger generations that are most likely to pay digitally because they do not use paper checks, (3) using a prepaid card, or (4) customers feel safer using a debit card that includes security protections from their bank. Regardless of the reason a customer may have, they would be more satisfied with the ability to pay by the method of their choice without incurring additional fees.

As it exists today, all customers pay for the payment transaction costs incurred by the Company. The highest transaction cost Avista currently pays is for its pay stations, which are used for roughly 5% of payments. Another example where costs are shared amongst all rate payers is the costs to print and mail bills. Approximately 105,000 Avista customers are signed up to receive paperless bills. Customers that receive their bill electronically are paying a share of the costs to print and mail bills to other customers. For every bill that is sent electronically, it saves the Company \$0.58 or \$6.96 per account per year. The customers that sign up for paperless billing do not receive a discount.

The more convenient the Company can make it for customers to pay bills, the more it can benefit all customers. Customers that self-serve, pay on time, and are satisfied with the options they have are the least expensive to serve, which is a benefit to all customers. Customers that do not pay on time and end up in the credit collections cycle drive increased costs, which are paid for by all customers. Lastly, customers that are not satisfied tend to call Customer Service more frequently. Every call that comes into the Call Center costs approximately \$6 in labor costs alone. This means that every call that can be avoided leads to savings for all customers. Giving customers options to pay by the method of their choice without incurring additional fees will lead to more satisfied customers and ultimately savings for all customers.

Request for Approval

Avista requests that the Commission approve the proposed tariff revisions, which will allow the Company to offer a fee free payment program to its residential customers. The added language to the tariff that “Residential customers on Rate Schedule 410 **may** pay by any payment method without a transaction fee.” provides the company with the flexibility of being able to offer a fee free program to its residential customers. The Company is unable to specify an exact date for which it may offer the fee free program due to also needing approval from the WUTC and IPUC to offer the program. As mentioned above, Avista anticipates being able to begin offering the program sometime in the 2nd or 3rd quarter of 2016 if the program is approved in all three states. The reason the Company is filing for approval of the program so far in advance is due to the technology implementation and integration work that must be done in order to offer the fee free program once approved.

Avista requests the tariff revision to become effective March 1, 2016.

Please contact me with any questions related to this filing at (509) 495-2782.

Sincerely,

Shawn Bonfield

Sr. Regulatory Policy Analyst
Avista Utilities
shawn.bonfield@avistacorp.com
509-495-2782

Enclosures

AVISTA CORPORATION
dba Avista Utilities

RULE NO. 9 (continued)

RENDERING AND PAYMENT OF BILLS

B. Payment of Bills

1. Periodic Bills: Bills are due and payable upon presentation and become past due if not paid within 15 days thereafter. To receive credit, payment must be made to any Company office or to an authorized representative or agent, either in person or by mail.
2. Payment Methods Accepted: Customers may be eligible to pay their bill by checking or savings account (electronically or mailed check), bankcard (credit, debit, or prepaid card), cash, or money order. Residential customers on Rate Schedule 410 may pay by any payment method without a transaction fee. Some payment methods may be subject to a transaction fee for non-residential customers.
3. Returned Check Charge: The Company will require payment of a \$25.00 returned check charge for any check returned from the bank unpaid.
4. Closing Bills: Where gas service is terminated, closing bills will be due and payable upon presentation and become past due if not paid within 15 days thereafter. To receive credit, payment must be made to any Company office or to an authorized representative or agent, either in person or by mail.
5. In the event that a check, or draft, for payment of a bill, is not honored by the Customer's respective financial institution, the bill will be deemed unpaid. In such event, if valid payment is not received within one business day, the account may be subject to discontinuance under Rule 11. The Company may require payment by cash, certified check, or money order, if more than two payments are not honored within any consecutive twelve (12) month period.

(T)(N)
(N)
(N)
(N)
(N)
(T)
(T)
(T)

C. Adjustment for Over-Billing and Under-Billing

Except as provided in Rule No. 18, whenever a bill presented to a customer for service is determined to be incorrect, the Company, without delay, will make appropriate adjustment as follows:

1. When an under or overbilling occurs, the Company will provide written notice to the customer detailing the circumstances, period of time, and amount of adjustment. If it can be shown that the error was due to some cause, the date of which can be fixed, the over or undercharge shall be computed back to such date. If no date can be fixed, the Company will refund the overcharge or rebill the undercharge for no more than six months' usage. In no event shall an over or underbilling be for more than three years' usage.
2. Where a customer is required to repay an underbilling, the customer is entitled to enter into a time payment agreement without regard to whether the customer already participates in such an agreement. If the customer and the Company cannot agree

(continued)

Advice No. Issued	16-02-G January 15, 2016	Effective For Service On & After March 1, 2016
----------------------	-----------------------------	---

Issued by Avista Utilities
By Kelly Norwood, Vice President, State & Federal Regulation