

ONITA R. KING
Tariffs and Regulatory Compliance
Tel: 503.721.2452
Fax: 503.721.2516
email: ork@nwnatural.com



May 2, 2016

NWN OPUC Advice No. 16-04 / ADV _____

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
Post Office Box 1088
Salem, Oregon 97308-1088

Re: Schedule C "Miscellaneous Charges and Credits"
Late Payment Charge

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), files herewith the following tariff sheets stated to become effective with service on and after **June 3, 2016**:

Third Revision of Sheet C-2
Schedule C,
"Miscellaneous Charges and Credits (continued)."

The purpose of this filing is to add language to Schedule C at Sheet C-2, to reference the waiver of OAR 860-021-0126(3) granted by the Commission to NW Natural effective June 1, 2000, that allowed for the application of a \$3 minimum late payment charge on past due amounts between \$50 and \$200.

The Company files this revision to provide clarity between the late payment charge stated in the tariff and the Commission's administrative rules related to the topic.

The Company was requested by OPUC Staff to make a filing providing information that demonstrates that the benefits identified at the time the waiver was granted have been realized, and how those benefits have been reflected in reduced rates to customers. While the Company does not believe that it has an obligation to make this filing, the Company makes this filing in order to accommodate the request from Staff. A discussion of the benefits is included below.

Background

On May 1, 2000, NW Natural filed NWN Advice No. 00-6 (“Advice Filing”) with the Public Utility Commission of Oregon (the “Commission”).¹ In its Advice Filing, NW Natural proposed revisions to General Rule 7 and to Schedule C of the Company’s Oregon Tariff P.U.C. Or. 22; specifically: (a) a change to General Rule 7 “Payment Responsibilities” to add the option for a customer to request a preferred billing due date; and (b) a change to Schedule C “Miscellaneous Charges and Credits” to establish a minimum late charge of \$3 to be assessed on past due amounts between \$50 and \$200.

In addition to the proposed revisions to its Oregon Tariff, NW Natural requested a waiver of OAR 860-021-0126(3) to accommodate the implementation of the \$3 minimum late payment charge amount.

NW Natural’s request to establish a \$3 minimum late charge was motivated by the Company’s objective to encourage on-time customer payments, stating in the Advice Filing that both the Company and ratepayers benefit when more customers pay on time. At that time, NW Natural identified three benefits: (1) improved cash flow; (2) improved credit and collection efficiencies; and (3) reduced bad debt expense.²

The Company’s Advice Filing, as supplemented, was placed on the Commission’s consent agenda (Item CA10) at a public meeting of the Commission held on May 19, 2000, and the proposed changes were adopted by the Commission by Order 00-267 dated May 23, 2000. The Commission did not place any conditions or time restrictions on the waiver granted by this order.

The changes adopted by the Commission in Tariff P.U.C. Or. 22 and P.U.C. Or. 23 effective June 1, 2000, including the \$3 minimum late charge, were also adopted in two subsequent Tariffs; P.U.C. Or. 24 that went into effect September 1, 2003 by Commission Order 03-507 in Docket UG 152, and Tariff P.U.C. Or. 25, that went into effect November 1, 2012 by Commission Order 12-408³ in Docket UG 221.

Discussion

There are a number of factors other than late charges that affect cash flow, credit and collection experiences, and bad debt expense; the late charge structure is just one factor. As such, it is difficult to isolate exactly how the Company’s late charge structure impacted its overall credit and collection and bad debt experiences over the years. However, NW Natural has attempted to do that by doing a comparison between its Oregon and Washington residential customer data.

¹ On May 9, 2000 the Company filed a substitute Advice Filing to accommodate editorial changes suggested by the Commission Staff, and to add to its proposed filing, revisions to its Tariff P.U.C. Or. 23 that mirror the changes proposed to Tariff P.U.C. Or. 22, together with some additional housekeeping changes to Schedule A of Tariff P.U.C. Or. 23. P.U.C. Or. 23 was the then effective Tariff for propane service to Coos Bay, Oregon.

² See NWN Advice No. OPUC 00-6, page 2

³ Order 12-408 was later supplemented by the Commission with Order 12-437 dated November 16, 2012.

NW Natural reviewed its residential credit and collections and bad debt expense for the 2009⁴ through 2015 period⁵. Oregon residential customer data was compared to Washington residential customer data, where the Company has a \$1 minimum late charge. Because NW Natural's Oregon and Washington service areas are similar in terms of economy and pricing (although Washington residential rates have been consistently lower than Oregon residential rates⁶) any difference in results could be indicative of the effect that the \$3 minimum late charge has had on each of the three named benefits.

NW Natural reviewed the number of residential customer accounts that received 20-day notices of disconnection of service between 2009 and 2015. Customers in both states receive a 20-day notice if a bill was not paid by the due date stated on the bill. Table 1 below shows the percentage of residential customer accounts that received a 20-day notice by state. As shown in Table 1, on a percentage basis, there were fewer 20-day notices issued to Oregon customers than were issued to Washington customers, with the exception of 2015, where the percentages are the same between the two states.⁷

Year	Oregon	Washington
2009	5.6%	6.8%
2010	5.0%	5.5%
2011	5.0%	5.6%
2012	4.5%	4.9%
2013	4.3%	4.4%
2014	4.1%	4.3%
2015	3.7%	3.7%

The Company believes that the \$3 minimum late charge is the contributing factor influencing Oregon customers' higher on-time payment behavior. To further support that there may be a correlation between the \$3 late payment charge and the on-time payment behavior of Oregon customers, the FiServ 8th Annual Residential Billing Household survey⁸ identifies late fees as the most influential factor for customers when prioritizing bills:

⁴ NW Natural does not have data in its customer information system prior to 2009.

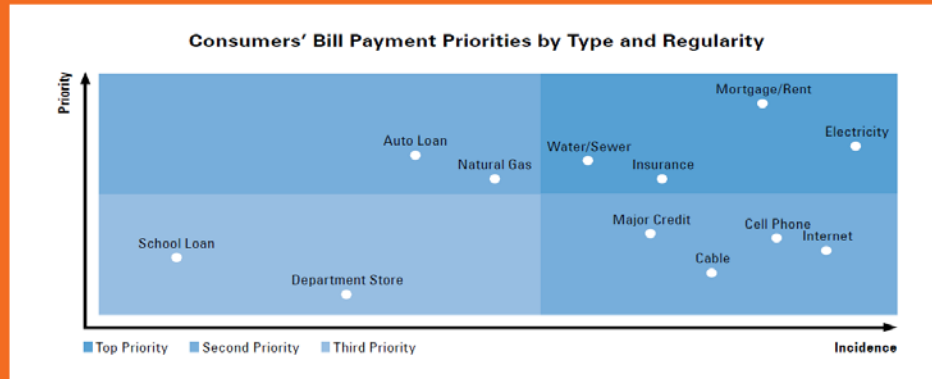
⁵ Because the \$3 minimum applies only to balances between \$50 and \$200, and because commercial and industrial bills are typically greater than \$200, the Company looked only at residential accounts.

⁶ See Exhibit A for the rate history sheets for the Company's Oregon and Washington residential and commercial rate schedules.

⁷ We believe that the warmer than normal weather in 2015 was a contributing factor overall to the lower notice levels in that year.

⁸ See Exhibit B for the complete survey.

The practical implication is that people often need to prioritize their bill payments. The factors that influence their decisions include late fees (84 percent), service shutoff (60 percent) and concern about credit score (48 percent).



The data the Company collected also shows that overall there is a lower percentage of Oregon residential customer bills that are assessed a late charge when compared to Washington residential customers. Table 2 below shows the percentage of Oregon residential bills that had late charges applied compared to Washington residential bills.

Year	Oregon	Washington
2009	8.6%	10.2%
2010	8.2%	8.8%
2011	8.2%	9.0%
2012	7.3%	7.8%
2013	7.2%	7.3%
2014	6.8%	7.1%
2015	6.4%	6.5%

As shown in Table 2, in both states the percentage of bills that were assessed late charges has declined since 2009, with Oregon remaining consistently lower than Washington. The Company offers a preferred bill due date option to customers in both states which we believe has also contributed to the decline in late charge assessments.

Benefit (1): Improved Cash Flow. The higher tendency for Oregon customers to pay on-time, as depicted by the lower volume of 20-day disconnection (or delinquency) notices shown in Table 1 above, equates to an overall cash flow benefit to the Company.

Benefit (2): Improved Credit and Collection Efficiencies. When more customers pay their bill on time, the Company avoids certain costs and administrative tasks, such as those associated with the issuance of notices of disconnection. For example, it costs the Company

about \$0.47 cents to generate and mail a disconnection notice⁹. If Oregon residential customer notices were generated on the equivalent percentage level as Washington, NW Natural would have issued 209,310¹⁰ additional 20-day notices between 2009 and 2015, at a total cost for just the notices of about \$98,376. If we assume that 50 percent of customers that receive a disconnection notice contact the Company, it would cost an additional \$712,700 (\$6.81 per call) for a total cost of \$811,076 for the Company to have processed those calls. Because these costs were avoided, the Company was better able to manage Call Center resources and lower its printing and mailing expense.

Benefit (3): Reduced Bad Debt Expense. In 1999, the year prior to the adoption of the \$3 minimum late charge, the Company's uncollectible expense as a percentage of revenue was about 0.58 percent¹¹. Table 3 below shows the Company's uncollectible expenses for the 2011 through 2015 time period.¹²

Table 3						
Uncollectible expense as a percentage of revenue						
	2015	2014	2013	2012	2011	1999
NWN	.10%	.08%	.03%	.16%	.25%	.58%
Local Electric	.34%				.55%	

Also shown in Table 3 is the combined average uncollectible expense for 2011 and 2015 for the two Oregon local electric utilities. The Company believes that the effect that the \$3 minimum late charge has had on customer payment behavior is the primary factor behind the significant differences in uncollectible expense between NW Natural and the other local utilities. Given the higher on-time payment behavior discussed above, it would not be unreasonable to assume that the Company would have seen a higher uncollectible expense, possibly at the same or similar levels as the two other local utilities, if the \$3 minimum late charge had not been in effect.

NW Natural's Oregon customers have seen the benefit of lower uncollectible expense in their rates over time. Table 4 below shows the revenue sensitive effect associated with uncollectible expense as applied to the annual changes in customer rates through the Purchased Gas Adjustment process for 1999, which is the period prior to the implementation of the \$3 minimum, and for the years 2011 through 2015.

Table 4						
	2015	2014	2013	2012	2011	1999
Net Uncollectible Expense	\$1,032,745	\$1,290,601	\$1,459,558	\$1,551,703	\$1,823,551	\$3,475,446
Adjustment to rates	\$0.157%	\$0.187%	\$0.227%	\$0.227%	0.245%	0.824%

The uncollectible expense in each year represents the normalized net write-offs based on a three-year average. As Table 4 shows, customers have directly received the benefit of the reduced bad debt write-off expense since the \$3 minimum late charge was implemented.

⁹ This represents the cost of postage, bill stock and envelopes.

¹⁰ See Exhibit A.

¹¹ Based on data taken from NW Natural's 1999 Annual Report.

¹² Data for the 2000 through 2010 time period is not readily available.

Conclusion

As represented by the information provided with this filing, NW Natural believes that the \$3 minimum late charge in effect since May 2000 under the waiver granted by the Commission is reasonable and appropriate, and has and will continue to provide the customer benefits originally represented by the Company in its Advice Filing.

Additionally, if the Commission were, for any reason, to terminate the long-standing waiver and discontinue the Company's ability to apply a \$3 minimum late charge NW Natural would experience an expected annual reduction in revenues of about \$574,000. In light of the customer benefits described above, and the harm the company would experience if the Commission were to modify its late fees outside of a rate case, NW Natural believes the charge should remain in place.

The Company respectfully requests that the tariff sheet filed herein be approved to become effective with service on and after June 3, 2016.

Copies of this letter and the filing made herewith are available in the Company's main office in Portland, Oregon and on its website at www.nwnatural.com.

The Company waives paper service in this proceeding.

Please address correspondence on this matter to me with copies to the following:

eFiling
NW Natural Rates & Regulatory Affairs
220 NW Second Avenue
Portland, Oregon 97209
Telecopier: (503) 721-2516
Telephone: (503) 226-4211, ext. 3589
eFiling@nwnatural.com

Sincerely,

NW NATURAL

/s/ Onita King

Onita R. King
Rates & Regulation

Attachments

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Third Revision of Sheet C-2
Cancels Second Revision of Sheet C-2

SCHEDULE C MISCELLANEOUS CHARGES AND CREDITS (continued)

DESCRIPTION OF CHARGES and CREDITS:

Late Payment Charge. Customer accounts not paid in full each month are subject to a late payment charge. For Residential Customers, the late payment charge will be applied to overdue account balances at the time of preparing the subsequent month's bill. For Non-Residential Customers, the late payment charge will be assessed the day after the due date stated on the bill. The late payment charge will not apply to accounts if the balance is less than \$50.00, or to Equal Pay Plan or Time Payment Plan accounts that are current. The application of the \$3.00 minimum late payment charge shown at Sheet C-1 is in accordance with a waiver of OAR 860-021-0126(3) granted to the Company by the Commission effective June 1, 2000 (See NWN OPUC Advice 00-6 and 00-6A).

(N)
(N)
(N)

Charge For Payment Not Honored. A charge will be applied each time a Customer makes a payment on account that is not honored, for any reason, by a bank or other financial institution.

Service Reconnection Charges. A charge will be assessed to restore service to a Customer following a Disconnection of Service under **Rule 11**, or any other applicable Rule or Schedule of this Tariff, or where service is disconnected and Customer subsequently requests service be restored at the same address within twelve (12) Billing Months of the date of Disconnection of Service, ("Temporary Disconnection").

Before service will be restored, all amounts then due and payable, including the service reconnection charge, and any Customer Charges associated with a Temporary Disconnection must be paid to Company at the Company's offices prior to 6:00 p.m. Monday through Friday, or, upon prior arrangement between Company and Customer, shall be paid to the Company's representative at the time of visit. The service reconnection options are as follows:

Customer Contact with Company	Service Reconnection Options *	Charge
Monday-Thursday 7:00 a.m. to 6:00 p.m.	By 5:00 p.m. of the next day	\$30
	After 5:00 p.m. the next day	\$80
	Same Day after 5:00 p.m.	\$100
Monday-Thursday after 6:00 p.m.	Applicant must call on the next Business Day	
Friday before 3:00 p.m.	By 5:00 p.m. of the next day (Saturday)	\$30
	After 5:00 p.m. the next day (Saturday)	\$80
	Same Day after 5:00 p.m.	\$100
Friday 3:00 p.m. to 6:00 p.m.	By 5:00 p.m. of the next Business Day (Monday)	\$30
	After 5:00 p.m. of the next Business Day (Monday)	\$80
	Friday after 6:00 p.m. Saturday	\$100 \$100
Friday after 6:00 p.m.	Applicant must call on next Business Day	

* The time frame for all service reconnection options is subject to change for any cause not reasonably within the Company's control. If the next day is a state-recognized holiday, then reconnection is scheduled for the next Business Day, or Customer can pay the Reconnection Charge applicable to same day and Saturday and Holiday reconnections..

(continue to Sheet C-3)

Issued May 2, 2016
NWN OPUC Advice No. 16-04

Effective with service on
and after June 3, 2016

Issued by: **NORTHWEST NATURAL GAS COMPANY**
d.b.a. NW Natural
220 N.W. Second Avenue
Portland, Oregon 97209-3991

EXHIBIT A

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

NW NATURAL SUPPORTING MATERIALS

NWN OPUC Advice No. 16-04 / ADV _____

Schedule C

Miscellaneous Charges and Credits
(Late Payment Charge)

Dated: May 2, 2016

Exhibit A – Table of Contents
Supporting Materials
Dated: May 2, 2016

NWN OPUC Advice No. 16-04 / ADV _____

Schedule C
Miscellaneous Charges and Credits
(Late Payment Fees)

Title	Page
Oregon Schedule 2 Residential Sales Service (Monthly Billing Rates, 2002-Present)	1
Oregon Schedule 3 Basic Firm Non-Residential Sales Service (Monthly Billing Rates, 2002-Present)	2
Washington Schedule 2 Residential Sales Service (Monthly Billing Rates, 2002-Present)	3
Washington Schedule 3 Basic Firm Sales Service (Monthly Billing Rates, 2002-Present)	4



OREGON SCHEDULE 2: RESIDENTIAL SALES SERVICE:
 (Monthly Billing Rates, 2002 to Present)

Effective Date	Customer Charge	Per Therm Usage Charge
10/02/02	\$5.00	\$0.87016
09/01/03	\$6.00	\$0.87870
10/01/03	\$6.00	\$0.92213
10/01/04	\$6.00	\$1.10784
10/01/05	\$6.00	\$1.29167
11/01/06	\$6.00	\$1.34052
11/01/07	\$6.00	\$1.22449
11/01/08	\$6.00	\$1.41502
01/01/09	\$6.00	\$1.39384
11/01/09	\$6.00	\$1.12187
06/01/10	\$6.00	\$1.12251
11/01/10	\$6.00	\$1.10644
06/01/11	\$6.00	\$1.11756
11/01/11	\$6.00	\$1.08786
06/01/12	\$6.00	\$1.07610
11/01/12	\$8.00	\$0.97604
11/01/13	\$8.00	\$0.99317
11/01/14	\$8.00	\$1.01330
11/01/15	\$8.00	\$0.93513



OREGON

SCHEDULE 3: BASIC FIRM NON-RESIDENTIAL SALES SERVICE

(Monthly Billing Rates, 2002 to Present)

Effective Date	Customer Charge (All Classes)	Volumetric Charges		
		Residential	Commercial	Industrial
10/01/02	\$7.00	\$0.80757	\$0.79457	\$0.78143
09/01/03	\$8.00	N/A	\$0.80735	\$0.79393
10/01/03	\$8.00	N/A	\$0.84768	\$0.82581
10/01/04	\$8.00	N/A	\$1.02239	\$0.99346
10/01/05	\$8.00	N/A	\$1.19803	\$1.15524
11/01/06	\$8.00	N/A	\$1.24436	\$1.21826
11/01/07	\$8.00	N/A	\$1.12149	\$1.09951
11/01/08	\$8.00	N/A	\$1.30440	\$1.28190
01/01/09	\$8.00	N/A	\$1.28982	\$1.26989
11/01/09	\$8.00	N/A	\$1.00987	\$0.97652
06/01/10	\$8.00	N/A	\$1.01033	\$0.97691
11/01/10	\$8.00	N/A	\$0.99514	\$0.96332
06/01/11	\$8.00	N/A	\$1.00306	\$0.97003
11/01/11	\$8.00	N/A	\$0.96528	\$0.94245
06/01/12	\$8.00	N/A	\$0.95690	\$0.93535
11/01/12	\$15.00	N/A	\$0.86302	\$0.86948
11/01/13	\$15.00	N/A	\$0.91427	\$0.89909
11/01/14	\$15.00	N/A	\$0.95518	\$0.93199
11/01/15	\$15.00	N/A	\$0.87993	\$0.83072



WASHINGTON

SCHEDULE 2 RESIDENTIAL SALES SERVICE
 (Monthly Billing Rates, 2002 to Present)

<u>Effective Date</u>	<u>Service Charge</u>	<u>First 40 Therms</u>	<u>All Additional Therms</u>
01-Oct-02	\$4.25	\$0.75164	\$0.70380
01-Oct-03	\$4.25	\$0.87939	\$0.83155

<u>Effective Date</u>	<u>Customer Charge</u>	<u>All therms</u>
07/01/04	\$5.00	\$0.89075
11/01/04	\$5.00	\$1.07988
10/01/05	\$5.00	\$1.21885
11/01/06	\$5.00	\$1.25851
11/01/07	\$5.00	\$1.12803
11/01/08	\$5.00	\$1.37982
01/01/09	\$7.00	\$1.39618
11/1/2009	\$7.00	\$1.06483
11/1/2010	\$7.00	\$1.04383
11/1/2011	\$7.00	\$1.01776
11/1/2012	\$7.00	\$0.93022
11/1/2013	\$7.00	\$0.94643
11/1/2014	\$7.00	\$1.01057
11/1/2015	\$8.00	\$0.84733



WASHINGTON

SCHEDULE 3 BASIC FIRM SALES SERVICE:
 (Monthly Billing Rates, 2002 to Present)

Effective Date	Service Charge	300 Therms	1,700 Therms	Additional Therms
01-Oct-02	\$10.50	\$0.76419	\$0.69724	\$0.65565
01-Oct-03	\$10.50	\$0.89207	\$0.82512	\$0.78353

Effective Date	Customer Charge	All therms
07/01/04	\$10.50	\$0.91195
11/01/04	\$10.50	\$1.10166
10/01/05	\$10.50	\$1.24068
11/01/06	\$10.50	\$1.28035
11/01/07	\$10.50	\$1.14987
11/01/08	Commercial: \$10.50	\$1.40165
	Industrial: \$10.50	\$1.40164
01/01/09	Commercial: \$15.00	\$1.40065
	Industrial: \$15.00	\$1.40092
11/01/09	Commercial: \$15.00	\$1.06870
	Industrial: \$15.00	\$1.06843
11/01/10	Commercial: \$15.00	\$1.04491
	Industrial: \$15.00	\$1.02716
11/01/11	Commercial: \$15.00	\$1.02015
	Industrial: \$15.00	\$1.01175
11/01/12	Commercial: \$15.00	\$0.93197
	Industrial: \$15.00	\$0.91994
11/01/13	Commercial: \$15.00	\$0.94756
	Industrial: \$15.00	\$0.92712
11/01/14	Commercial: \$15.00	\$1.01161
	Industrial: \$15.00	\$0.99181
11/01/15	Commercial: \$15.00	\$0.84836
	Industrial: \$15.00	\$0.82839

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

NW NATURAL SUPPORTING MATERIALS

NWN OPUC Advice No. 16-04 / ADV _____

Schedule C

Miscellaneous Charges and Credits
(Late Payment Charge)

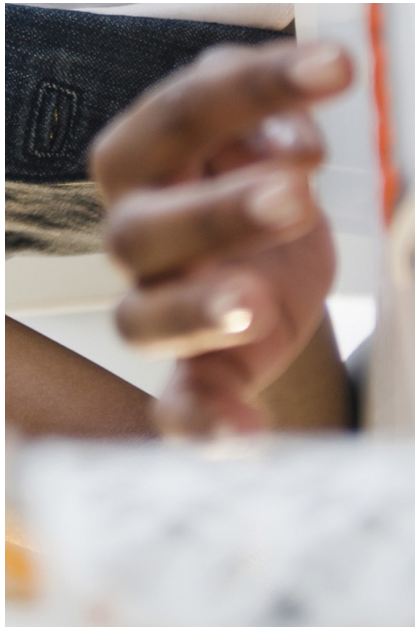
Dated: May 2, 2016

Exhibit B – Table of Contents
Supporting Materials
Dated: May 2, 2016

NWN OPUC Advice No. 16-04 / ADV _____

Schedule C
Miscellaneous Charges and Credits
(Late Payment Fees)

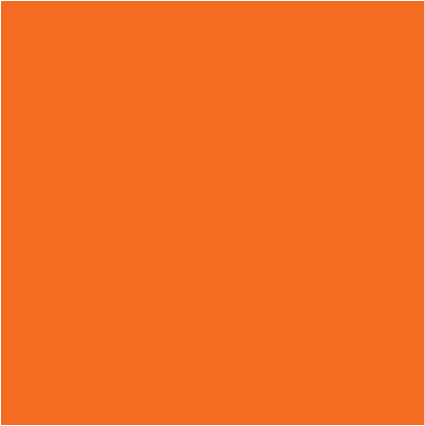
Title	Page
Eight Annual Billing Household Survey Insights on Consumer Billing and Payment Speed, Security and Satisfaction	1



Eighth Annual Billing Household Survey

Insights on Consumer Billing and Payment
Speed, Security and Satisfaction





Consumers have the entire world at their fingertips. Options abound to connect, communicate, shop and pay—all it takes is a few taps on a mobile device. Such real-time experiences have not only become commonplace, but they've become essential to everyday life. And when it comes to paying bills, consumers expect the same—the ability to make payments wherever, whenever, however.

Key findings from the Fiserv Eighth Annual Consumer Billing Household Survey suggest quantity and quality of billing and payment options are key drivers of satisfaction and customer loyalty. In other words, consumers have high expectations, and it pays off for billers when those expectations are met.

About the Survey

The Fiserv Annual Consumer Billing Household Survey examines American households' billing and payment practices, preferences and attitudes. This report presents select findings of the eighth annual survey. It was completed by 3,001 consumers, representative of U.S. checking accountholders ages 21 and older who are responsible for paying their households' bills. The survey's sample represents approximately 110 million households using the Internet.

The S Factors of Billing and Payments

Speed, Security and Satisfaction

This survey finds consumers' billing and payment behavior is linked to three factors: speed, security and satisfaction. Speed and security are the drivers of decision-making, while satisfaction appears to be the key outcome.

Speed

Payment options need to synch with consumers' busy lives. Real-time options, including emergency payment options, are a must.



Security

It's all about trust. Consumers need to know they can trust their payments are secure, regardless of how they make them.

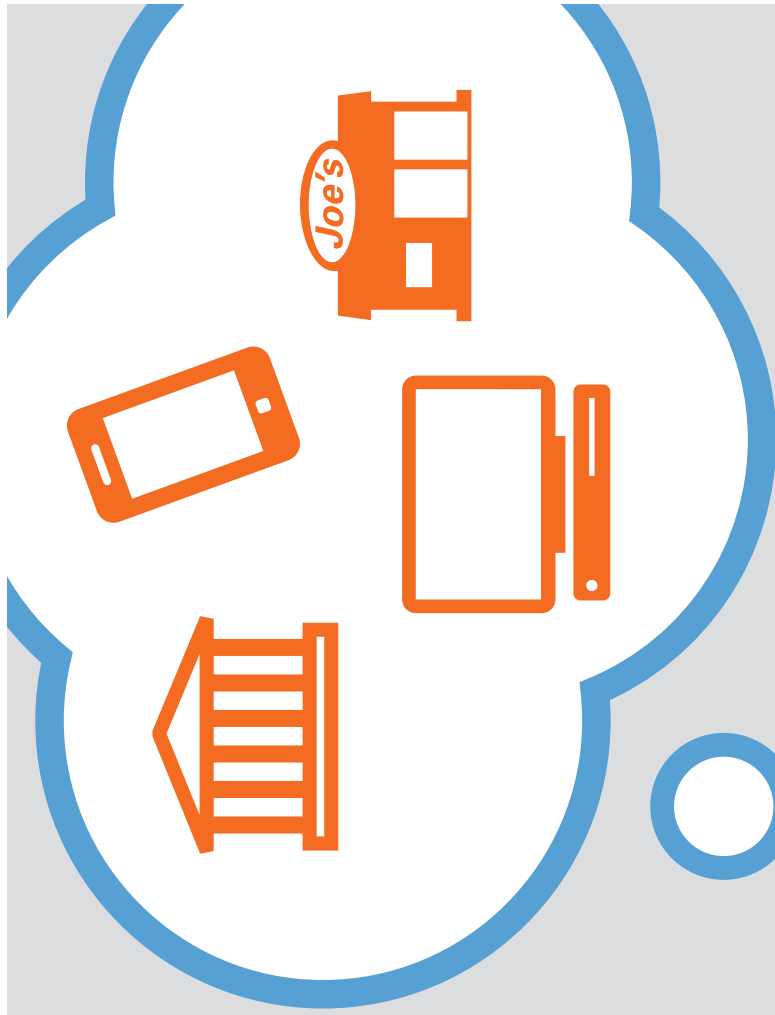


Satisfaction

Consumers want things on their terms. Affording a variety of ways to receive and pay bills leads to greater satisfaction.



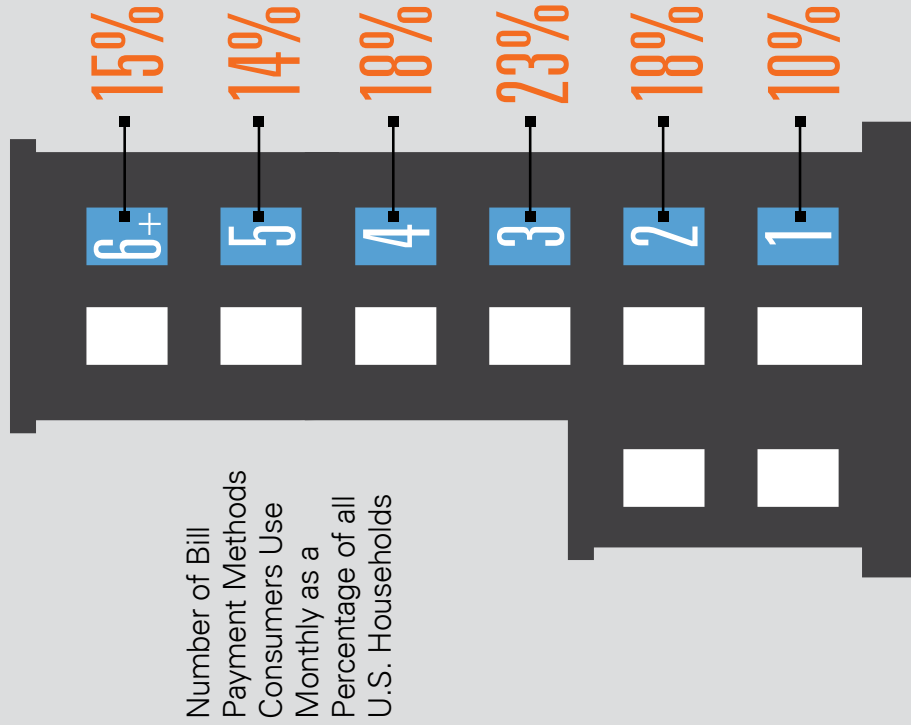
Bill Pay Omnivores Expect More Options Than Ever



Channel switching has become the norm, and the vast majority of households use multiple bill payment methods. On average, consumers use 3.6 different payment methods each month – up from 2.9 one year ago.

Today's consumers adjust their payment approaches to suit their needs. In fact, nearly 21 million households change how they pay bills from one month to the next—a 40 percent increase from the previous survey.

90 Percent of Households Use More Than One Payment Method



Number of Bill Payment Methods Consumers Use Monthly as a Percentage of all U.S. Households

Payment Methods Increase Drastically



Average Number of Payment Methods Consumers Use Monthly

What Billers Need to Know

Consumers are conditioned to expect a spectrum of payment channels – both offline and online – will be offered.



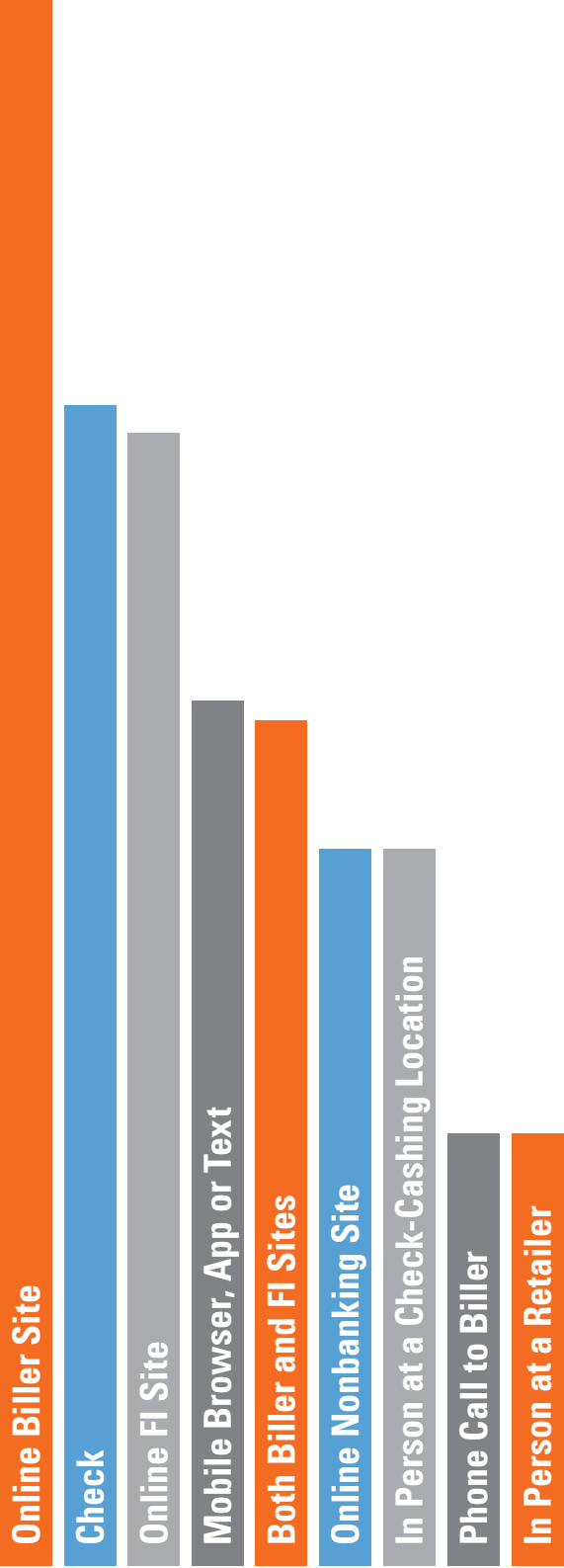
Payment Channels Are Fragmented

Consumers have many options – new ones emerge while established methods continue. Either way, the experience is hardly seamless. When asked which types of payment channels they used in the previous month, it became clear that variety is central to the payment experience.

Respondents opted for many different channels, with online and mobile options showing the most growth over the previous year. The findings underscore the uniqueness of consumers who use and value different channels to fulfill their needs. For example, 24 million households pay bills at check-cashing or grocery stores because they say they want a receipt for fast payment, feel it's more secure and value person-to-person interaction.

While there are many different payment options, online and mobile are the channels that continue to make significant gains. Between the Seventh and Eighth Annual Billing Household Surveys, there was a 72 percent increase in consumers making payments at both biller and financial institution websites. Paying bills at a financial institution's site also grew significantly by 55 percent.

Percent of Online Households Using Payment Method or Funding Type Last Month

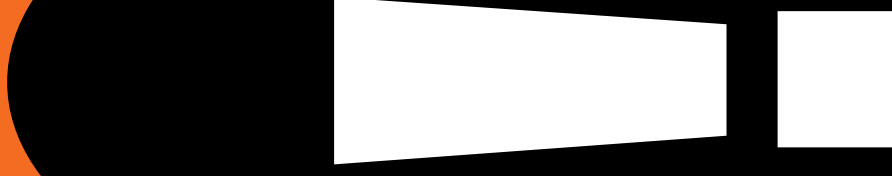


What Billers Need to Know

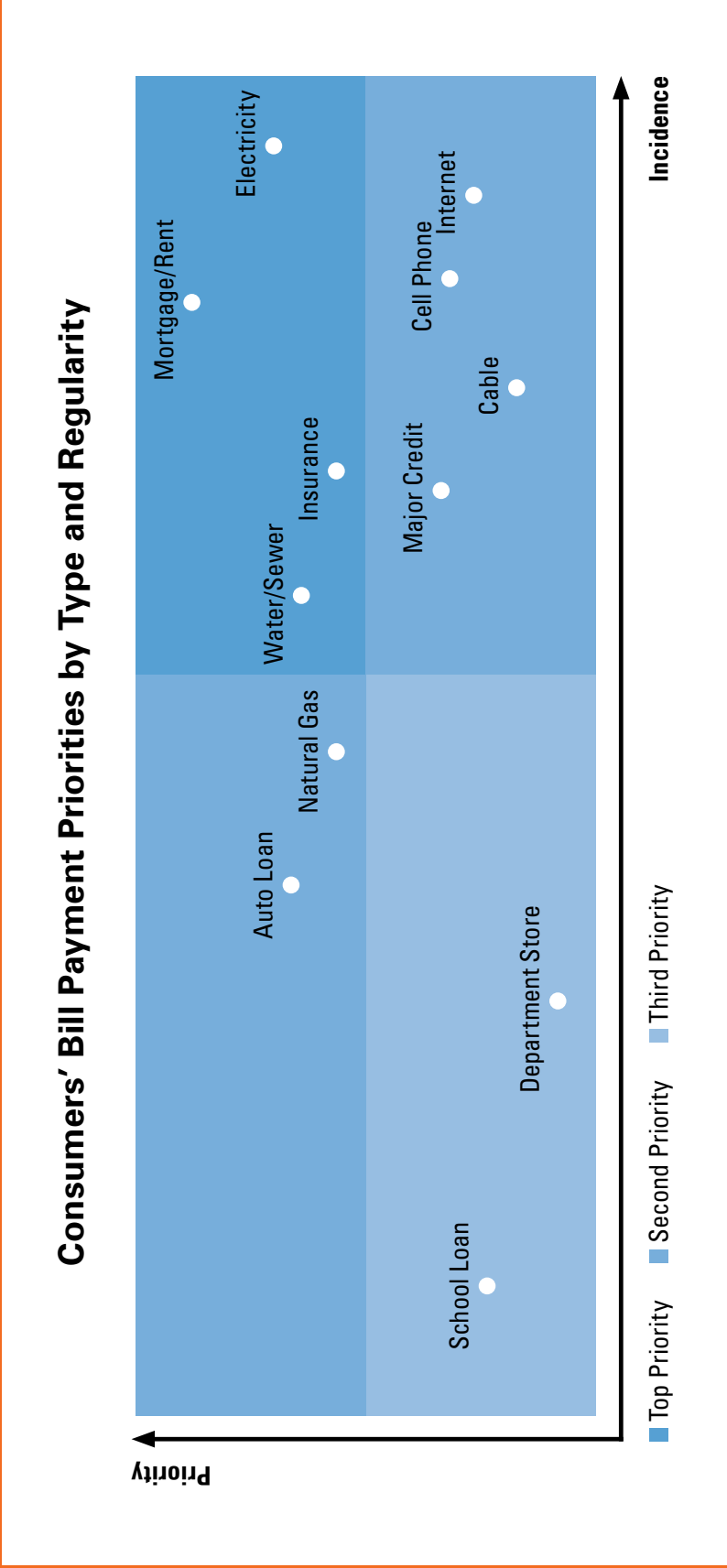
As the number of bill pay channels increases, more traditional payment methods, such as checks, still remain. This makes it even more complicated to support and manage the growing bill pay ecosystem. The challenge for billers is to create the intuitive, seamless options consumers have come to expect.

Late Payments and Bill Pay Priority

When thinking about receiving and paying bills, the possibility of late payments is consumers' No. 1 concern. Nevertheless, more than one-third of consumers (35 percent) paid a bill after the due date in last 12 months and 65 percent had to pay a late fee. Nearly half of those who paid a bill late cited cash-flow difficulties.



The practical implication is that people often need to prioritize their bill payments. The factors that influence their decisions include late fees (84 percent), service shutoff (60 percent) and concern about credit score (48 percent).



What Billers Need to Know

Offering emergency payments through a variety of channels, including through the customer's financial institution, is highly valued by customers who wish to avoid late fees and service shutoff. In fact, 65 percent of respondents say they expect billers to offer a way to make emergency payments and 59 percent say emergency payment options improve customer satisfaction with the biller.

Mobile Bill Pay Goes

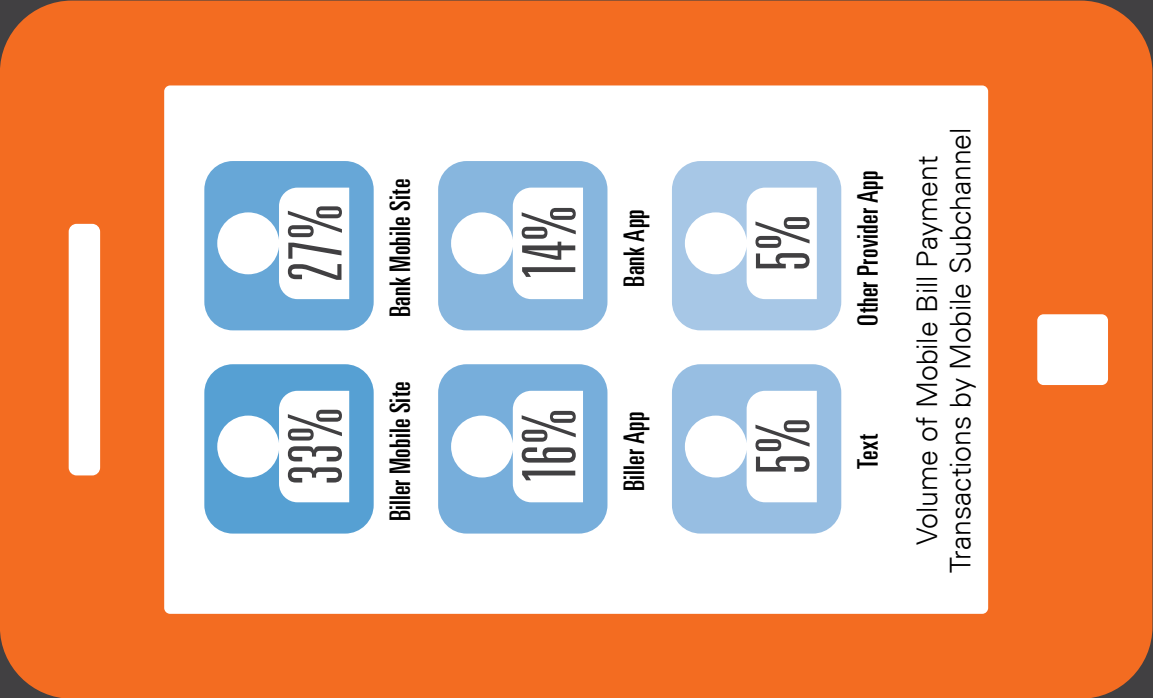
Mainstream



PAY

Overall, 33 percent of online households report having paid a monthly bill through their mobile phone. This marks a 22 percent increase compared to last year's survey. Not surprisingly, smartphone owners are more likely to access mobile payment options, with 42 percent reporting having paid bills via smartphone.

Bill Pay Omnivores Go Mobile: Consumers Use Multiple Subchannels

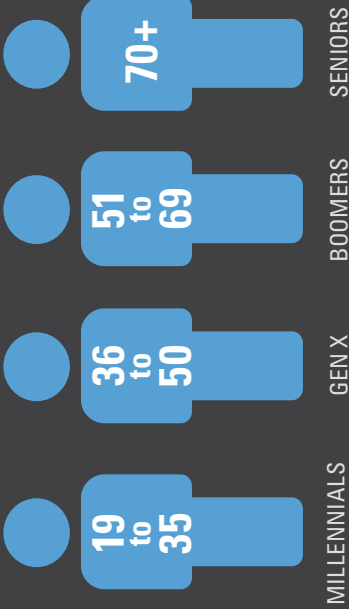


Just as with other channels, mobile users want and use multiple payment options. Among the many subchannels, only use of text-to-pay lost ground (from 11 percent in 2014 to 5 percent of volume in 2015), largely due to security issues and desire to go to bank and biller sites—reasons cited by 68 percent and 54 percent of nonusers respectively.

Who Are the Mobile Payers?

Interestingly, iPhone users were significantly more likely to use mobile bill pay than Android users (49 percent to 38 percent respectively). In terms of demographics, millennial respondents and those with annual household incomes between \$50,000 and \$99,000 are most likely to use the service. However, every income and age group increased mobile bill pay usage between 2014 and 2015, with those making less than \$50,000 per year nearly doubling and the number of baby boomers paying through mobile increasing by 125 percent.

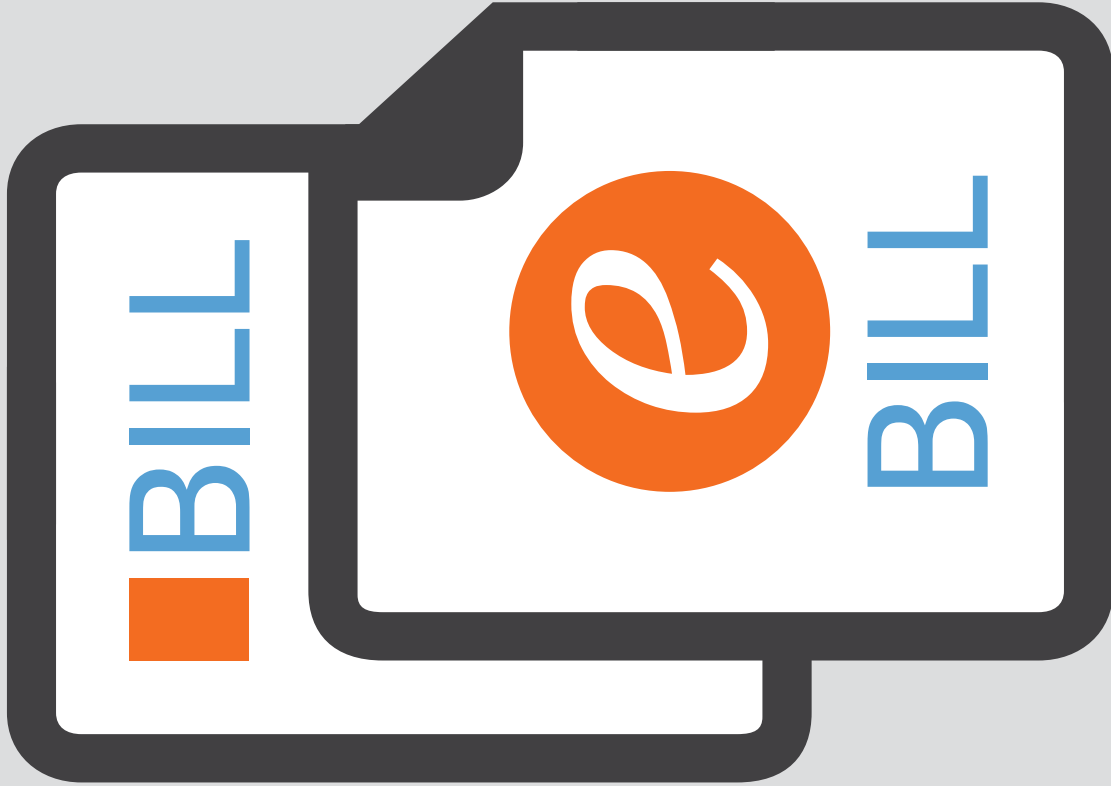
Generations Defined by Age



What Billers Need to Know

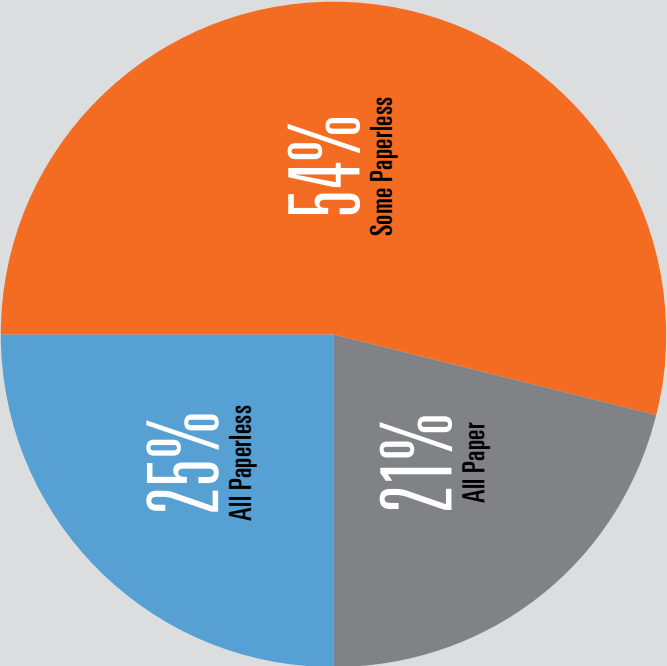
In 2015, 79 percent of online households reported having a smartphone—a 20 percent increase from 2014. The market for mobile bill pay is growing, but it is not near saturation. For billers, opportunities abound to convert customers to mobile payment options which can result in higher customer satisfaction, mobile self-service engagement and e-bill activation.

Consumers Are Bill-Receiving Omnivores, Too

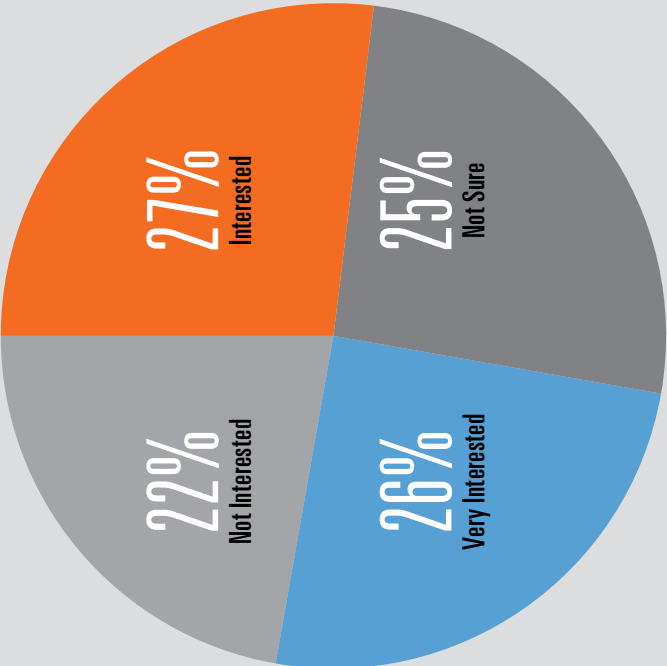


The majority of consumers continue to receive a mix of paper and paperless bills. At the same time, more than half say they're interested in turning off paper altogether.

Many American Households Want to Turn Off Their Paper Bills



Biller Direct Payees Who Receive Monthly Bills Entirely in Paper, Some Paper and Electronic, or All Electronic Form



Interest in Converting Paper Bills to Electronic Versions Among Biller Direct Payees

What Billers Need to Know

Consumers are interested in turning off the paper and billers are not lacking business incentives to convert consumers to paperless. Billers should promote paperless options at account opening and when customers sign up for automated payments. Another option: Offer customers who pay through their financial institutions the ability to receive their electronic bills at their financial institutions' sites as well.

Security Issues Weigh Heavily on People's Minds

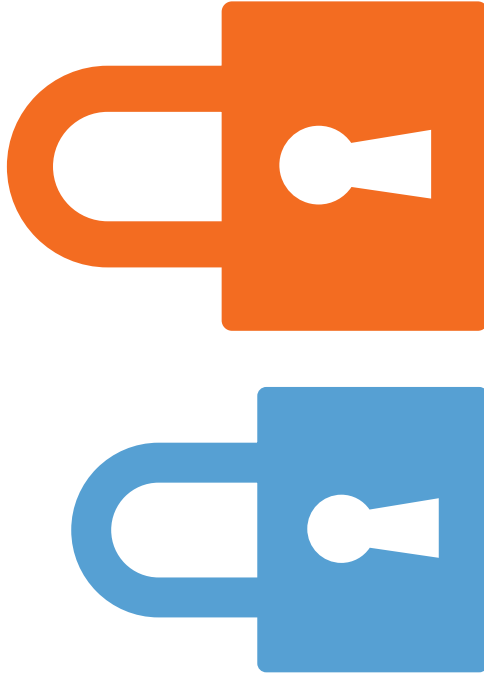
More than 27 million people say they are more concerned about security than they were a year ago, while only a small fraction (6 percent) say they are less concerned. Also noteworthy is the fact that people now rank security much higher on their list of concerns than they did in the previous survey.



On the List of Bill Pay Concerns, Security Jumped From Sixth to Second Place

In terms of consumers' perceptions of the most secure ways to receive and pay bills, bank bill pay and biller direct options are virtually tied (32 percent and 33 percent respectively). These are followed by mail (25 percent), email (8 percent) and nonbanking sites (2 percent). In addition, plastic is seen as more secure than ACH, with 57 percent of people saying they view credit, debit or prepaid cards as the most secure options compared to ACH.

65% of consumers say **biller direct and bank bill pay** are the most secure ways to receive and pay bills



Top Concerns Related to Receiving and Paying Household Bills

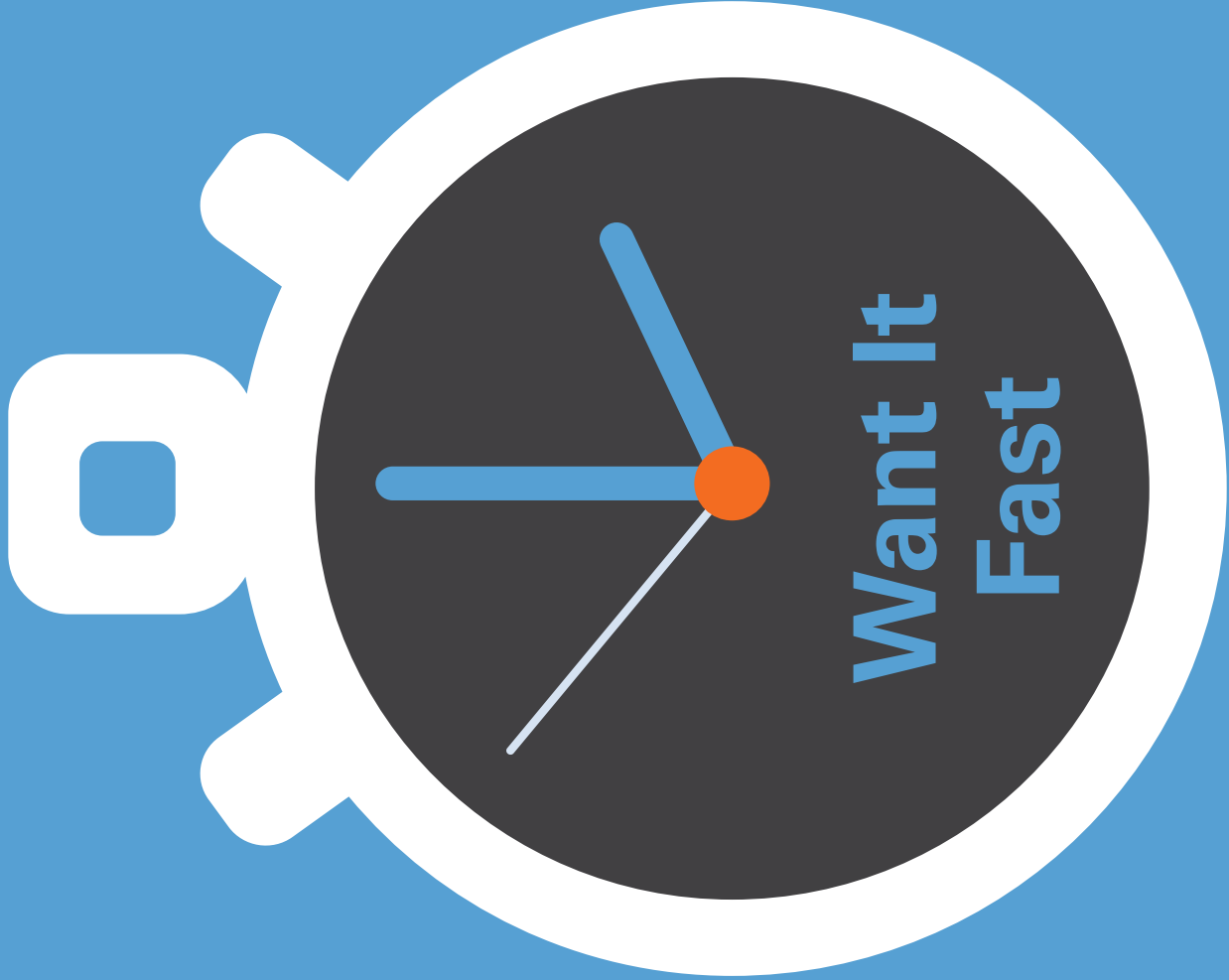
What Billers Need to Know

All billers know security is non-negotiable and it must be bank-grade with respect to internal and vendor protocols. Consumers, on the other hand, don't always understand this. There is an opportunity for billers to focus attention on educating consumers. For example, receiving electronic bills at the biller site or bank site is more secure than receiving paper bills which can be easily stolen through unsecured residential mailboxes and recycling and garbage bins.

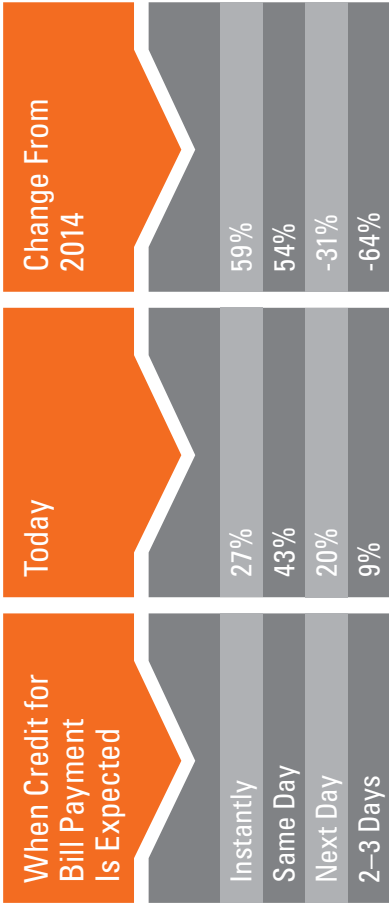
The Need for Speed

Consumers expect most aspects of their daily lives to move forward at the push of a button or the swipe of a finger. They view receiving and paying bills as analogous to any other transaction they make and they are well aware that the technology exists to provide the speed they expect.

This explains why 70 percent of consumers expect same-day credit for bill payments. That figure rises to 90 percent when considering those who expect credit no later than the following day.



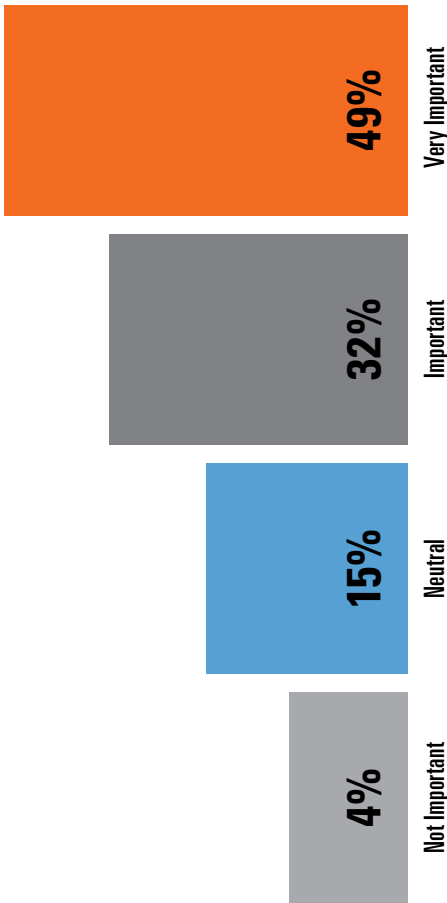
Expectations of Faster Processing on the Rise



Consumers do not take the issue of payment processing time lightly. In fact, more than eight in 10 say real-time or same-day processing is “important” or “very important” to them.

Speed and convenience drive payment channel choice. Not only is payment processing expected to be faster, but the payment interaction is expected to be faster as well. Consumers want a fast and easy experience. Given the option, many will avoid registering or logging in because it saves time. One in four households reports using the guest checkout option at biller sites due to convenience and password fatigue – meaning consumers don’t want to remember yet another username and password.

The Importance of Real-Time and Same-Day Payment Processing



What Billers Need to Know

Payment speed is more important than ever before, and with industry initiatives underway, same-day payment credit availability will soon be the norm. Consumers want to complete transactions as quickly as possible and they expect credit for payments right away. When it comes to bill payments, they want to be able to “get in and get out.” Making speed and convenience a priority across multiple channels stands to improve customer satisfaction.

What Makes Customers

Happy



Key Drivers of Satisfaction

Across the survey's findings, consumers demonstrate appreciation for billers that provide them with a variety of bill receipt and payment options. This is particularly true of digital methods that allow people to go green, reduce clutter, manage finances and increase security. In particular, three high-priority channels were found to increase satisfaction and customer loyalty.

1

Multiple Billing and Payment Options

The link between payment options and customer satisfaction is strengthening. Overall, seven in 10 respondents say being provided with multiple ways to pay increases their customer satisfaction. This represents a 43 percent increase over the 2014 survey.

2

Electronic Bills

66 percent say receiving electronic bills increases their satisfaction with billers. Another 36 percent say it makes them less likely to switch to a competitor. With a majority of nonusers saying they are interested in receiving bills electronically, there is a significant opportunity to boost satisfaction and cost savings even more.

3

Viewing and Paying at Bank Sites

65 percent report increased satisfaction with billers when given the ability to view and pay bills electronically at their bank's site. Almost half (46 percent) say it makes them less likely to switch to a competitor. Both satisfaction and loyalty measures are up significantly from last year.

The expectation of multiple payment options does not vary depending on the type of biller. In fact, consumers expect a local utility to provide the same options as a national wireless carrier or cable provider.

71% of consumers say multiple billing and payment options increase their satisfaction

79% of people expect local service providers to offer the same options as large national companies

What Billers Need to Know

There are no workarounds. Variety of billing and payment channels, along with e-billing and the ability to view/pay at a bank's site, are inextricably linked to customer satisfaction. The need to provide a range of options exists regardless of size or type of biller.



The Biller Checklist

Consumers expect all billers, regardless of size and industry, to offer a range of efficient, secure, high-quality billing and payment options. They increasingly make use of available options depending on their needs at any given time. Wherever/whenever transactions are now the norm and billers must keep pace to meet consumer expectations and drive satisfaction.

What Needs to Be Done

Offer a variety of payment channels.

Create intuitive, seamless options for billing and payments.

Offer emergency payments through multiple channels.

Focus efforts on providing a variety of mobile options and converting customers to mobile bill pay.

Promote paperless e-bill options at financial institutions' sites during account opening and when customers sign up for automated payments.

Educate consumers about available options and drive them toward the most secure choices.

Make speed and convenience a priority across multiple channels to drive customer satisfaction.

Why Now?

Consumers make use of various options at any given time based on their needs. They expect diverse options.

Growing numbers of bill pay options make it even more complicated to support and manage the growing bill pay ecosystem.

People expect options for emergency payments and a majority says having the option available increases satisfaction.

The market for mobile bill pay is growing and is not near saturation. Mobile bill payment options can result in higher customer satisfaction, mobile self-service engagement and e-bill activations.

Consumers say they are interested in turning off paper billing. Given the economic, environmental and efficiency incentives, this should be high on billers' to-do lists.

Security is a growing concern for consumers, but many are unaware of which billing and payment channels actually provide the highest level of security.

Consumers want to complete transactions as quickly as possible and they expect credit for payments right away. These are key drivers of customer satisfaction.



About the Author

Eric Leiserson is a director of Research and Market Insights at Fiserv. He has authored several white papers and case studies on consumer behavior and attitudes with respect to banking, billing and payment, and mobile practices. In addition, he has conducted numerous primary research projects and webinars in the areas of social media, mobile bill pay usage and consumer segmentation.



Fiserv, Inc.
255 Fiserv Drive
Brookfield, WI 53045

800-872-7882
262-879-5322
getsolutions@fiserv.com
www.fiserv.com

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