

State of Florida



**Public Service Commission**

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TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

**DATE:** JUNE 28, 2001

**TO:** DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

**FROM:** DIVISION OF ECONOMIC REGULATION (WHEELER, E. DRAPER) *DNW*  
DIVISION OF LEGAL SERVICES (ISAAC) *RNE RVE* *ESD* *OK* *Tad*

**RE:** DOCKET NO. 010727-EI - PETITION FOR APPROVAL TO REVISE  
TARIFF FOR SERVICE CHARGES FOR PAYMENT THROUGH A THIRD  
PARTY VENDOR BY TAMPA ELECTRIC COMPANY.

**AGENDA:** 7/10/01 - REGULAR AGENDA - TARIFF FILING - INTERESTED  
PERSONS MAY PARTICIPATE

**CRITICAL DATES:** 60-DAY SUSPENSION DATE: 7/10/01

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\010727.RCM

**CASE BACKGROUND**

On May 11, 2001, Tampa Electric Company (TECO) filed a Petition to revise its tariff for service charges to allow customers the option of paying their electric bills through a third party vendor. Payment through the third party vendor can be made by credit card, debit card, or checking account draft. Customers using this option will be charged a \$4.95 convenience fee by the third party vendor for transactions of \$500 or less.

The Commission considered a similar proposal by Florida Power Corporation (FPC) in Docket No. 981972-EI. FPC proposed to allow a third party vendor (Telepay) to process credit card transactions and charge customers a \$4.95 processing fee. Telepay would also accept payment by debit card or check for a \$1.95 fee. FPC cited high cost and employee time as the basis for its petition. Telepay's total transaction fee was \$5.95, however, FPC proposed to absorb \$1.00 of the fee, and customers thus would have paid \$4.95.

DOCUMENT NUMBER-DATE

07976 JUN 28

FPC-RECORDS/REPORTING

FPC has accepted credit card payments since 1992 without charging customers a fee for the transaction.

At the February 2, 1999, Agenda Conference the Commission raised several concerns regarding FPC's proposal. The Commission questioned the reasonableness of Telepay's transaction fee. The Commission further questioned whether FPC had researched all of its options with respect to credit cards. The Commission discussed as an example Flint River Electric Cooperative which offers a co-branded credit card with Visa that provides the customer with a rebate for use of the card. Finally, the Commission was concerned about potential customer dissatisfaction with the payment of a Commission-approved transaction fee in addition to the electric bill. The Commission deferred the item to give FPC the opportunity to respond to the concerns raised and further research its options.

FPC responded by revising its original proposal to raise the amount of the fee absorbed by FPC to \$1.50, which reduced the cost per transaction for a customer using the Telepay system to \$4.45. On March 12, 1999, prior to any further Commission action, FPC filed a Notice of Voluntary Withdrawal. FPC continues to accept payment by credit card at no additional charge to the customer.

The Commission has jurisdiction over the subject matter pursuant to Sections 366.04(1) and 366.06, Florida Statutes.

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the Commission approve TECO's proposed tariff revision to allow payment through a third party vendor?

**PRIMARY RECOMMENDATION:** Yes, TECO's proposal affords customers additional payment options, and should be approved. [WHEELER]

**ALTERNATIVE RECOMMENDATION:** No, the proposed fee for the additional payment options is excessive. [E. DRAPER]

**PRIMARY STAFF ANALYSIS:** TECO currently offers its customers the following payment options at no additional charge to the customer:

1. Via U.S. mail (check)
2. In person at TECO's offices (check or cash)
3. In person at authorized payment agents (check or cash)
4. By electronic funds transfer from checking or savings account (customer must enroll in program)
5. Via the Internet (electronic funds transfer from bank account - customer must enroll in program)

Currently 67 percent of TECO's customers mail their payments, and about 26 percent pay their bills at TECO's offices.

Although TECO does not currently offer payment by credit card, the Discover credit card was accepted for payment between 1994 and 1999. TECO paid Discover a \$2 fee per transaction, however customers were not charged any additional fee. TECO states that on average 1,600 customers per month used the Discover card to pay their bills and the average credit card payment was \$137. TECO discontinued the credit card option due to the labor costs associated with program administration and manual payment processing, and the transaction fee. In addition, TECO states that it found that the Discover card had less appeal compared to other credit card providers such as VISA and MasterCard.

On May 11, 2001, TECO filed a petition to offer customers the option of paying with a credit card, debit card, or bank account draft through a third party vendor (vendor). TECO proposes to add the following language to its tariff:

The customer has the option to make payment by telephone through a third party vendor contracted by the company. The customer shall be responsible for all vendor charges associated with the credit card, debit card or check by telephone or Internet payment.

Customers choosing to pay their bill through the vendor will be assessed by the vendor a \$4.95 convenience fee (fee) for transactions of \$500 or less. If the transaction exceeds \$500, the customer will be charged the \$4.95 fee for each \$500 increment.

To support its petition, TECO states that customers are requesting more payment options. In addition, TECO states that it believes that this option will be attractive to customers who are in need of prompt payment to avoid late fees or reconnection fees. Such customers can be apartment management companies based out of state, customers faced with the possibility of disconnection, or customers who lack convenient transportation.

To make a payment through the vendor, customers can call TECO's customer service number and select the option to pay by telephone, directly dial a toll free number to the vendor, or connect to the vendor via a link from TECO's website. Once connected to the vendor, the customer can choose to make a payment by checking account draft, credit card (MasterCard, VISA, Discover) or debit card. The customer will be asked to provide the electric account number and will be informed several times of the fee. The vendor's system will be available 24 hours every day. The vendor will post updated customer payment information to TECO's customer information system several times during the day.

TECO conducted a formal request for proposal (RFP) selection process and received proposals from several vendors such as SpeedPay and Point and Pay. TECO states that it has identified the top two vendors, however, it will not finalize its decision until the Commission approves the proposed tariff change. TECO states that the \$4.95 fee was stated in the vendors' proposals and is therefore not subject to immediate change.

TECO states that it has researched other credit card options such as a banking partnership or an in-house program. TECO concluded that the cost for a banking partnership or an in-house program were prohibitive in comparison to the third party vendor option. In addition, the third party vendor option avoids manual credit card payment processing by TECO's customer service employees.

Primary staff believes that the proposed tariff modification should be approved. The third party vendor arrangement is voluntary, and affords customers additional options for paying their bills. Customers are notified several times during the transaction that they are being billed the \$4.95 fee.

As noted above, TECO already allows customers who enroll to make payment on a regular basis via the Internet or through electronic funds transfer at no charge. The third party option is appropriate for those infrequent occasions when customers who would otherwise pay by mail or in person must make payment immediately to avoid disconnection. The third party payment is made through a phone call or via the Internet, and affords the additional options of paying by credit or debit card. Staff believes that it is appropriate for customers to pay a fee for this convenience, and that the costs of such a program should not be imposed on the general body of ratepayers.

**ALTERNATIVE STAFF ANALYSIS:** While alternative staff agrees that TECO's objective to offer its customers additional payment options is appropriate, alternative staff believes that the proposed \$4.95 fee for the options is excessive.

As stated in the case background, the Commission raised serious concerns during its discussion at the February 2, 1999, Agenda Conference regarding FPC's proposal to allow Telepay to charge a \$4.95 fee for credit card transactions and a \$1.95 fee for debit card and checking account drafts. The Commission recognized that FPC was offering an optional service, however, the Commission believed that the proposed fee was too high and would be perceived by the customers who choose these payment options as a rate increase. Alternative staff believes that these concerns have not been alleviated by TECO's proposed petition.

Furthermore, alternative staff maintains that TECO has an obligation to provide customer service at the lowest reasonable cost. Alternative staff recognizes that accepting credit card payments imposes a cost on TECO, however, alternative staff does not believe that TECO has fully demonstrated that the third party vendor option is the lowest cost option for accepting this type of payment. For example, it is alternative staff's understanding that credit card companies charge approximately two percent of the transaction as a processing fee, which represents a cost to TECO. To that extent, it may be appropriate for customers who pay with a

DOCKET NO. 010727-EI  
DATE: JUNE 28, 2001

credit card to absorb the processing fee to provide protection to the general body of ratepayers. As noted in the primary staff recommendation, the average credit card payment between 1992 and 1995 was \$137. The two percent processing fee on that amount is \$2.70. Similarly, TECO paid Discover \$2 per transaction, which is significantly less than the proposed \$4.95 fee.

For the above stated reasons, alternative staff believes that TECO's petition to allow payment through a third party vendor should be denied.

**ISSUE 2:** What is the appropriate effective date for TECO's proposed tariff to allow payment through a third party vendor?

**RECOMMENDATION:** If the Commission approves the Primary Staff Recommendation in Issue 1, the appropriate effective date for TECO's proposed tariff to allow payment through a third party vendor is July 10, 2001. If the Commission approves the Alternative Staff Recommendation in Issue 1, this issue is moot.  
[E. DRAPER]

**STAFF ANALYSIS:** If the Commission approves TECO's proposed tariff at its July 10, 2001, Agenda Conference, it should become effective on that date. If the Commission denies TECO's proposed tariff, this issue is moot.

**ISSUE 3:** Should this docket be closed?

**RECOMMENDATION:** Yes, if no protest is filed within 21 days of the issuance of the order. [ISAAC]

**STAFF ANALYSIS:** If a protest is filed within 21 days of the Commission order approving this tariff, the tariff should remain in effect pending resolution of the protest, with any charges held subject to refund pending resolution of the protest. If no protest is filed, this docket should be closed upon the issuance of a Consummating Order.