



**Staff Report Item 17**

**TO:** East Bay Community Energy Board of Directors  
**FROM:** Kelly Birdwell Brezovec, Customer Care Manager  
**SUBJECT:** Delinquent Accounts and Collections Policy Review (Informational Item)  
**DATE:** November 20, 2019

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**Recommendation**

Receive an update from staff reviewing the existing Delinquent Accounts and Collections Policy.

**Background and Discussion**

The existing policy regarding Delinquent Accounts and Collections was adopted as part of the February 7, 2018 staff report covering Administrative and Operational Policies. As East Bay Community Energy enters our second year of service, staff will begin to implement this policy.

The policy may be found on our website at this [link<sup>1</sup>](#); it includes a plan for both delinquent accounts and collections.

**Delinquent Account Policy**

The current Delinquent Accounts and Collections policy sets the following guidelines for sending late payment notifications to customers:

**Table 1:** Delinquent account policy guidelines

Customer Class	Overdue Amount Threshold	Overdue Time Period	Days to Pay/Payment Plan Before EBCE may return to PG&E
Residential	\$250	>90 days	60 days
Non-residential	\$500	>60 days	30 days

Once a customer reaches the prescribed overdue amount at the time period indicated, the policy states that EBCE will send a reminder, or late payment notification, to the customer.

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<sup>1</sup> Web address: [https://ebce.org/wp-content/uploads/Item-7-EBCE-staff-report.-Admin-Policies\\_FINAL\\_Complete-3.pdf](https://ebce.org/wp-content/uploads/Item-7-EBCE-staff-report.-Admin-Policies_FINAL_Complete-3.pdf)

The customer then has 30 or 60 days to pay in-full or set-up a payment plan with PG&E. After that date if the customer has not taken action to pay on their past-due account, EBCE may return the customer to PG&E’s bundled service.

Today, EBCE does not send out notifications; staff is drafting language for the mailings and establishing operations to manage the process. Mailings for residential customers will contain information about enrolling in income-based payment assistance programs. EBCE staff understands that the mailing will need very clear instructions and direct the customer to contact PG&E to both pay in-full and to establish a payment plan, as EBCE does not collect payments or develop payment plans. Upon sending the first set of notifications, staff will track the change in call and email volumes to our call center, customer walk-ins, and customer feedback. If the mailers result in a poor customer experience because the customer is sent from EBCE to PG&E without a measurable change in our delinquency figures, EBCE will revise the notifications and reconsider this aspect of our policy.

The policy states that EBCE may return customers to PG&E if they remain in arrears. Thus far, all opt-out requests have been initiated by the customer. EBCE would prefer to continue to serve our eligible customers, but per this policy, EBCE may take action for egregious failures to pay.

Current Delinquencies

Staff reviewed the aging report for September 1, 2019 to September 30, 2019 to estimate how many notifications would be required to follow the policy as stated, as well as highlight customer characteristics.

Using the older than 60 days, greater than \$500 for non-residential and older than 90 days, greater than \$250 for residential intervals as prescribed in the policy, the total delinquencies are as shown in Table 2.

**Table 2: Summary of Metrics**

	# Accounts over Delinquency Threshold	Total Amount Delinquent	Average Amount	# on Payment Plan	# on CARE/FERA	Average Amount for CARE/FERA
<b>Non-residential</b>	120	\$859,600	\$7,160	40	N/A	N/A
<b>Residential</b>	130	\$59,450	\$460	105	70	\$355
<b>TOTAL</b>	<b>250</b>	<b>\$918,850</b>		<b>145</b>		

The outsized non-residential delinquent amount is due, in large part, to two accounts that owe well over \$100,000. We are in communication with these accounts.

Almost 60 percent of these customers already have an active payment plan with PG&E; staff may remove those customers from a notification plan if we are able to identify incoming payments that indicate that the customer is making progress towards paying off their past-due amount.

EBCE may choose to notify customers via electronic mail. About a quarter of the customers identified as requiring a late payment notification currently receive their PG&E bills electronically. These customers may be more likely to respond to an e-mail rather than physical mail.

Of the residential customers that would receive a notification from EBCE, just over half, or 70 customers, are currently enrolled in CARE or FERA, income-qualified programs that provide energy bill discounts. Almost all CARE/FERA customers with a qualified past-due balance also have an active payment plan with PG&E.

The average past-due amount for both groups of residential customers is similar, with low-income identified customers having slightly lower balances, on average.

Staff is not able to quantify the result of sending past-due payment reminders to these customers. PG&E already sends notifications, but perhaps our notices will provide extra encouragement that customers need to contact PG&E or could potentially increase opt outs.

#### Collections Policy

EBCE's current policy states that closed EBCE accounts with overdue amounts greater than \$100 may be referred to a collection agency. Amounts \$100 or less may be written off.

The collections process may begin after a customer has terminated (closed) service within PG&E's territory. PG&E continues to collect unpaid balances on behalf of EBCE for up to 60 days after the closing bill is rendered, then reverses the unpaid balance to the EBCE.

Staff is interviewing collections agencies located in Alameda County to begin collection on these unpaid balances that have been reversed back to EBCE. Collections agencies report average recovery rates around 15-25% of reported debts and are self-funded contracts. Since EBCE does not hold personally identifiable information such as social security numbers and does not typically receive forwarding address information, agencies anticipate that EBCE would receive an amount towards the lower end of this range. The agency will keep 20-40% of the recovered funds.

#### Current Collectable Debt

PG&E sends a monthly list of reversed accounts to EBCE. The September list represents \$117,250 and 1,200 customers. The current list of accounts that would be sent to collections - those with a debt exceeding \$100 is split between residential and non-residential as shown in Table 3.

**Table 3: Current collectable debt by customer count, September 2019**

Reversals	Customer Count	Sum of Collectable Debt	Average per Account
Residential, Unspecified	85	\$24,980	\$295
Residential, Low-Income	90	\$18,190	\$200
Residential, All	175	\$43,170	\$250
Non-Residential	40	\$48,900	\$1200
<b>Total</b>	<b>215</b>	<b>\$91,470</b>	<b>\$425</b>

Based on the estimates detailed above, with a 15% recovery rate and 25% agency fee, EBCE would receive approximately \$10,300 on the outstanding \$91,470 September balance.

Note that since these numbers are relatively small, a few high balances inflate the averages. For example, there are just four residential and 15 non-residential accounts with collectable debt greater than \$900.

If EBCE lowered the collections threshold from \$100 to \$50, that would capture an additional 190 accounts and \$13,700 available for collections in September. Applying the same recovery rate and agency fees, EBCE could receive an additional \$1,500 in payments. EBCE does not intend to change the threshold at this time but will revisit this based on experience with the process and agency.

#### **Fiscal Impact**

Sending a reminder mailer, such as a postcard, would incur costs to design, print, and mail the postcard. An estimated 250 notices per month would require approximately \$6,000 a year of the Marketing and Account Services budget. There is budget for these mailings in the current approved budget under Required Mailings.

Engaging with a collections agency could result in as much as an additional \$13,700 per month in customer payments.

Managing the operations of this process will require resources from the Analytics and Customer Care teams, as well as the Finance Manager.

#### **Recommendation**

Staff recommends that the described collections process be executed by the appropriate staff and the customer experience and fiscal impacts of this policy are reviewed after six months of implementation at the Marketing, Regulatory, and Legislative Subcommittee meeting. The subcommittee members can provide direction to staff or recommend that the policy be revisited by the executive committee or full board.

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