

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY

February 18, 2008

ACTION REQUIRED

AGENDA ITEM NO. V.G.

- Information Only
- Motion
- Resolution
- Executive Session
- Other

TOPIC

Credit Card Transition Plan

DISCUSSION

Credit card fees and expenses total about \$820,000 per year. Chugach currently absorbs this expense as a cost of doing business. To reduce the expense of processing credit card payments, the Board Operations Committee instructed the Acting Chief Executive Officer to prepare a transition plan to a payment system whereby the members who use credit cards pay the costs associated with processing their payments.

MOTION

Move that the Board of Directors approve the credit card transition plan.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

January 16, 2008

Transition Plan for Credit Card Payments

Objective

The purpose of this plan is to outline the process for Chugach to discontinue paying the cost of taking credit cards and to transition members to other payment methods, to an arrangement in which the member who uses their credit card pays a “convenience fee” directly to the contractor (BillMatrix) taking their payment, or to a bill payment service of their choosing.

There will also be a convenience fee for other types of payments (i.e., debit card, ACH) made through the BillMatrix system. Due to VISA and Mastercard restrictions, this fee will be the same as the credit card convenience fee.

The process to notify members of this change and convert them to other payment methods will take approximately three and one-half months and will be completed August 31, 2008. Member payment of the convenience fee will begin on September 1, 2008.

As recommended by Dave Dittman, the notification and education portion of this plan will emphasize several key messages. These include taking credit cards is expensive, that members who use credit cards should pay this cost and that Chugach will not receive any portion of the convenience fee. Dave will review and comment on proposed notices, publications or other customer communications as the plan is implemented.

This plan includes the following specific actions:

Notification

1. General publicity via lobby signs, web-site information, articles, bill messages, on-hold messages and other public notification will begin immediately and continue throughout this period.
2. A letter will be sent to all Chugach members advising of this change.
3. Letters will be sent to specifically notify members who are enrolled in Chugach’s monthly credit card autopay program.

- The first letter will be approximately 90 days before conversion with subsequent letters at 60 and 30 days to members who had not yet converted to an alternate payment method. Each letter will provide information on the ability to use a credit card through the contractor arrangement and on other payment options, and will include an enrollment form for autopay by bank draft. The third letter will also advise members that are still using autopay by credit card that it will soon be canceled.
4. A specific letter will also be prepared and sent to members who pay via internet or phone advising of this change and providing an enrollment form for autopay by bank draft.
 5. Service reps will verbally advise members making payments over the phone or in the lobby that a convenience fee for credit card and other internet or phone payments will become effective on September 1, 2008. Also, a message will appear whenever someone is making an internet payment or IVR phone payment advising them of the pending change.
 6. First National Bank of Alaska will be given written notice of Chugach's termination of the current merchant agreement at least 90 days prior to the effective date. FNBA's remittance processing department will be given notice of an expected increase in mailed-in payments.
 7. BillMatrix will immediately be given notice of the desire to convert the current internet and telephone payment systems to one where the member pays a convenience fee. Different fee level/transaction limits will be considered. This transition should be fairly smooth as the BillMatrix system was implemented with the expectation that it might eventually shift to a convenience fee arrangement.
 8. The Regulatory Commission of Alaska will be given notice of the pending change so that its consumer protection staff is prepared to respond to consumer complaints and inquiries.

Timeline for Implementation

1. May 16th through May 30th: Negotiate the convenience fee to be paid by members and assign staff, including Information Services personnel, to work with BillMatrix to convert the on-line and telephone payment systems to implement the convenience fee.
2. May 16th through May 30th: Brief staff on the issue, reasons for termination and the new convenience fee option so that they can respond to members.
3. June through August: Provide notices as specified above.

4. June through August: Convert accounts to bank draft autopay as forms are received.
5. June through August: Prepare staff to handle a much larger volume of manual payments, payment processing timeliness/late fee issues, complaints and credit arrangements as the process takes place.
6. August 6th: Cancel any remaining credit card autopay accounts and send a letter to the affected members letting them know of this action. All credit card autopay accounts must be cancelled at least 25 days prior to the termination date of July 1, 2008 because the system will no longer be available to process credit card payment for bills that are due after August 31, 2008. Chugach staff will attempt to make contact with members whose autopay accounts are canceled prior to any adverse credit action being taken.
7. August 25th: Install a computer/payment station in the Member Services lobby so that consumers who visit Chugach and wish to pay by credit card after the convenience fee becomes effective have a means to do so.
8. Effective September, 2008 no longer internally process any form of credit card payment and implement the convenience fee arrangement for internet and phone payments made through BillMatrix.