

Update On Payment Methods & Costs

Chugach Electric Finance Committee

January 24, 2007

Review – Components of Costs

- ❑ Labor
- ❑ Credit Card Commission
- ❑ Fees & Expenses

2007 Costs

Labor	\$ 240,000
Credit Card Commission	\$ 720,000
Remittance Processing Contractors	<u>\$ 155,000</u>
	<u>\$ 1,115,000</u>

Hierarchy of Payment Processing Costs (\$100 Payment)

		Transactions
Credit Card (Internet/Phone)	\$2.42 - \$2.92	6,000
Credit Card (Lobby)	\$2.25	1,000
Debit Card (Internet/Phone)	\$1.40 - \$1.90	50
Credit Card (AutoPay)	\$1.72	17,000
Bank Draft (Internet/Phone)	\$1.07 - \$1.57	1,200
Bill Pay Service	\$1.08	600
Debit Card (Lobby)	\$1.06	200
Cash (Lobby)	\$.66	3,500
Check (Lobby/Night Drop/Mail)	\$.60	11,500
Bank Draft (AutoPay)	\$.38	5,500
Check (FNBA Lockbox)	\$.18	25,000

Credit Card Costs & Payments 2000 - 2006



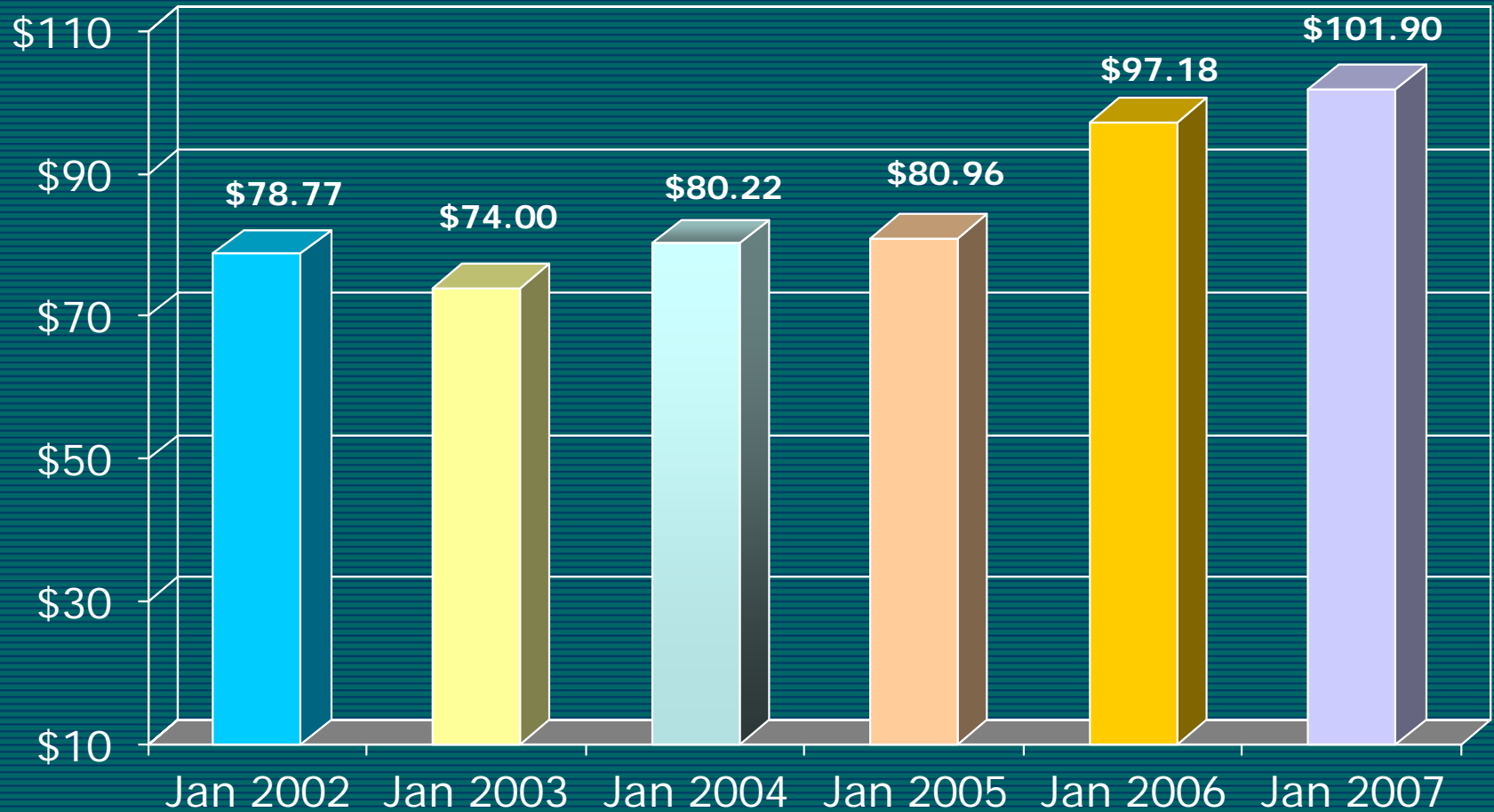
Efforts to Reduce Costs

- ❑ Outlet Article (Available)
- ❑ Auto Bank Withdrawal Enrollment
- ❑ Conversion of Bill Matrix Payers to Autopay
- ❑ Commission Rate Negotiation with Bank
- ❑ Modification of Bill Matrix Outsource (Pending)

Results

- ❑ Auto Bank Withdrawal – 8.7% Increase vs. 2.0% for Auto Credit Card
- ❑ Bill Matrix Conversions – 387 accounts
- ❑ Reduced Credit Card Commission Rate — No (per the bank)
- ❑ Bill Matrix Outsource – Pending
- ❑ Rate Impact – Pending

Residential Bills 700 kWh per Month



Benefits of Credit Card Payments

For Members

- ❑ Customer Service (convenience)

For Chugach

- ❑ Timely processing of AutoPay accounts
 - Mitigates payment processing/late fee issues
 - Fewer late fee reversals
- ❑ Reduced bad debt expense
 - “Captured” payment is guaranteed
 - Last resort for many members
 - Allows completion of transactions (deposits & fees)
 - AutoPay collection of final bills

Conclusions

- ❑ Electric rates, more so than growth, are driving costs.
- ❑ Consumers are reluctant to convert to lower cost methods due to convenience, ability to pay and control issues.
- ❑ Regular offering of auto bank draft and reestablishing an in-house NetPay system are best opportunities to reduce payment processing costs.