

Chugach Electric Association, Inc.

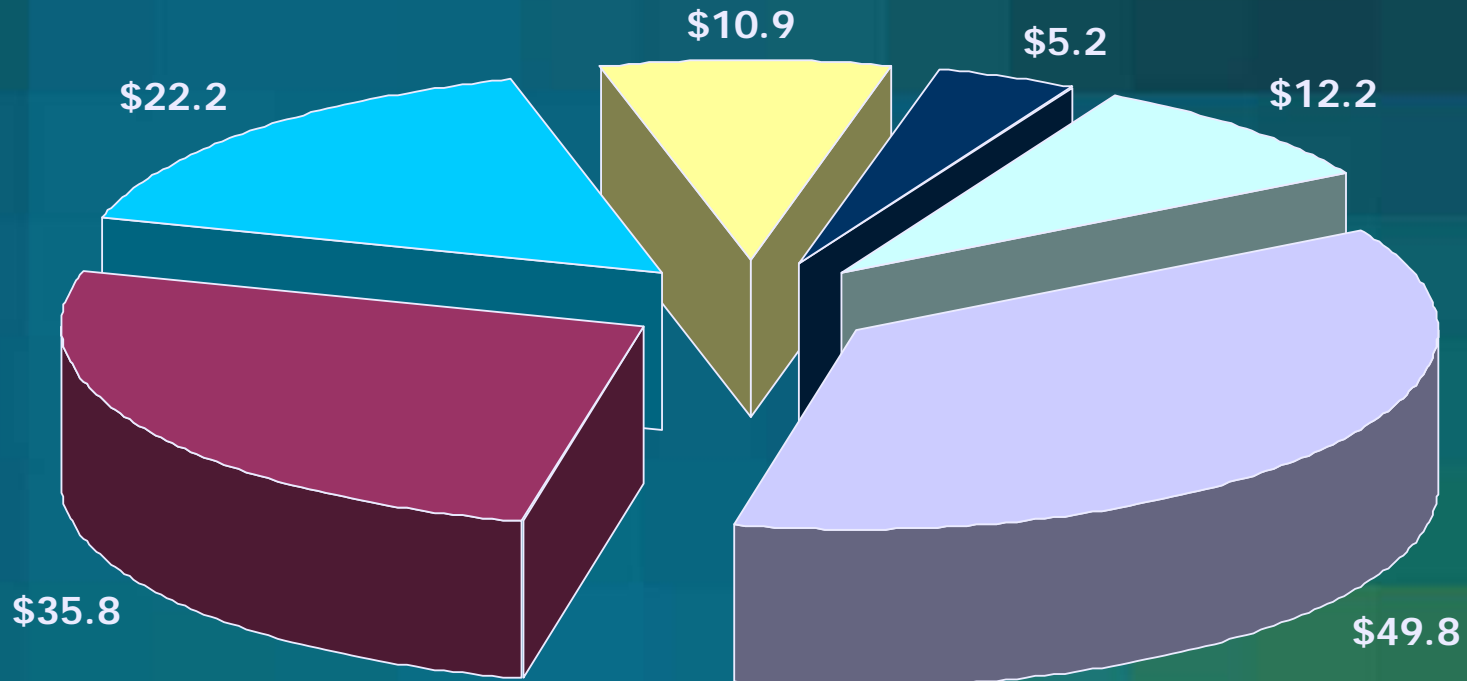
Payment Methods and Costs

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Director of Member Services

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2005 Payment Totals (\$ in Millions)



- 36.6% ■ Cash/Checks - Lobby / Mail / Drop Box
- 26.3% ■ FNBA Lockbox
- 16.3% ■ Auto Credit Card
- 8.0% ■ Other Credit Card
- 3.8% ■ Bank Draft
- 9.0% ■ Other

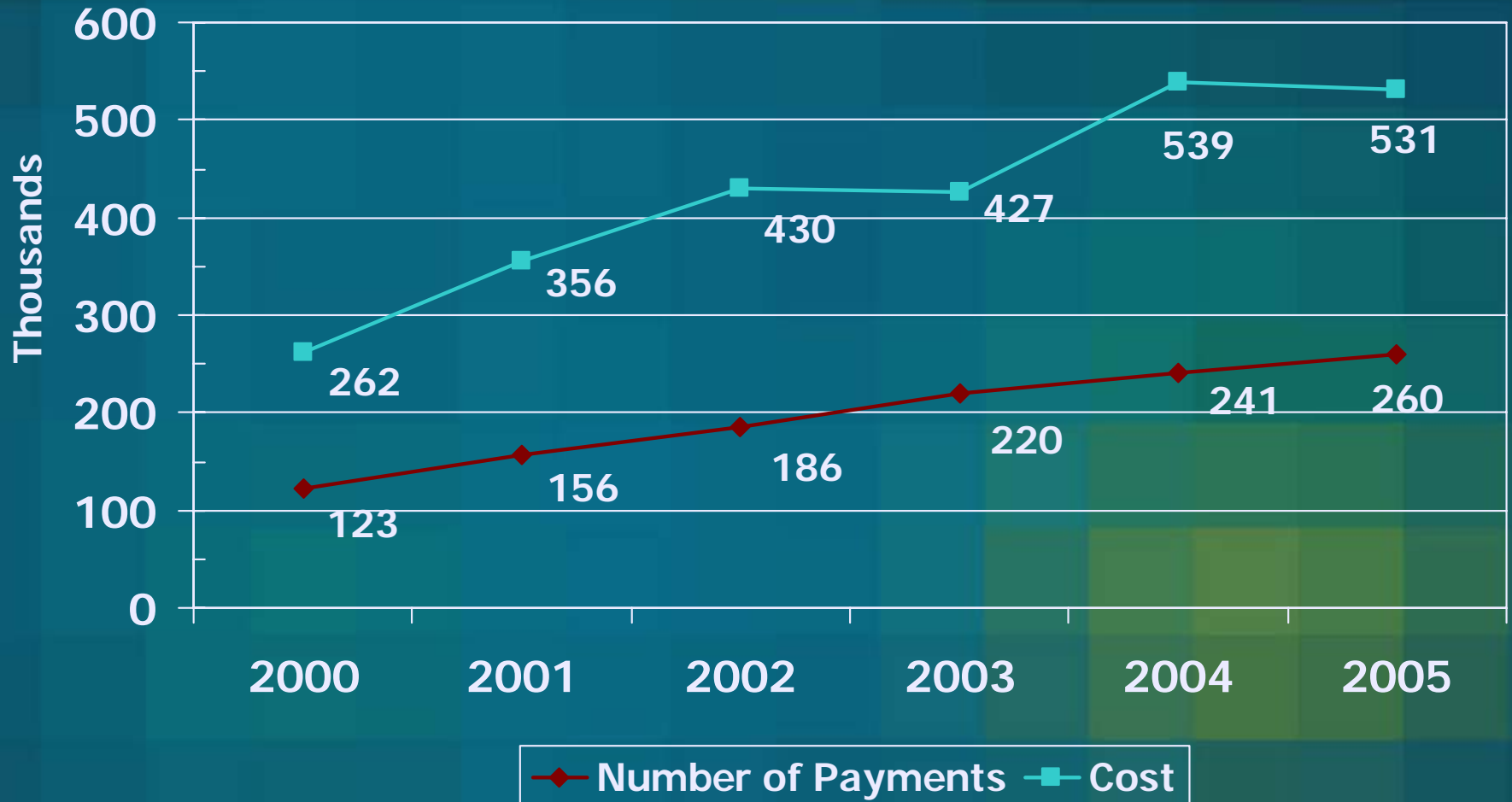
Payment Cost Elements

- **Labor (processing) expense**
 - Front office (in-person payment)
 - Drop box or mailed payment
 - Payment over the phone
 - Research/posting of payments
 - AutoPay maintenance
- **Commissions and fees**
 - Credit card (1.42% of amount charged)
 - Internet/Phone Debit Card (\$.50)
 - Internet/Phone ACH (\$.15)
 - FNBA ACH (\$.10)
- **Contractor processing charges per payment**
 - Internet (\$1.00)
 - Pay by phone (\$1.25)
 - FNBA lockbox mailed payments (\$.175)

Hierarchy of Payment Processing Costs (\$100 Payment)

		<u>Transactions</u>
Credit Card (Internet/Phone)	\$2.42 - \$2.92	5,000
Credit Card (Lobby)	\$2.25	1,000
Debit Card (Internet/Phone)	\$1.40 - \$1.90	50
Credit Card (AutoPay)	\$1.72	16,500
Bank Draft (Internet/Phone)	\$1.07 - \$1.57	1,100
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	4,800
Check (FNBA Lockbox)	\$.18	25,000

Credit Card Costs & Payments 2000 - 2005



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**

Managing Remittance Processing Costs

Objective

Move high cost payments to lower cost methods

- **Regularly insert bank draft AutoPay enrollment forms**
- **Explore incentives to convert credit card users to bank draft**
- **Target regular internet and phone payers to move to AutoPay**
- **Negotiate the commission rate**
- **Inform the membership of our cost of taking payments**