

February 3, 2022
Regular City Council Meeting

Discussion of Electric Fees - Councilmember Gage



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TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Lacey G. Simpson, Acting General Manager

DATE: January 24, 2022

RE: **Discussion of Electric Fees – Councilmember Gage**

At the City Council meeting of November 22, 2021, a Manager's Report featuring a memorandum from KPU Sales, Marketing and Customer Service Division Manager Kim Simpson was presented for City Council consideration following a previous request. The memorandum and the City Council discussion that followed concerned the policy and procedures for disconnection of electrical service for non-payment and the associated fees. Following this discussion, Councilmember Gage requested a City Council discussion item to better understand the Ketchikan Municipal Code and how the City Council might like to modify associated fees.

Attached for City Council reference is the aforementioned memorandum from Ms. Simpson that details the current policies and procedures and applicable sections of the Ketchikan Municipal Code.

The Sales, Marketing and Customer Service Division Manager will attend the meeting of February 3, 2022 to address any questions and/or concerns that Councilmembers may have.



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To: Lacey Simpson, Acting KPU General Manager
From: Kim Simpson, KPU Sales, Marketing & Customer Service Division Head
Date: November 9, 2021
Subject: **Response to Council Request for KPU Disconnect Policy**

The purpose of this memo is to inform the City Council of KPU's Disconnect Policies in response to Council member Janalee Gage's request at the City Council Meeting of November 4, 2021.

KPU Electric Disconnect Policy:

KPU follows the Municipal Code for Disconnection of Service for Non-Payment as listed below:

Section 11.04.080 Pretermination Procedures and Disconnect

(a) *In the event utility bills are not paid as required, or any rules, regulations, standards, codes or other applicable provisions are not complied with or are violated, the service may be terminated and the utility disconnected. The pretermination and disconnect procedures shall be as hereinafter provided.*

(b) *Nonpayment of Bills. KPU shall take the following actions prior to disconnection of utility service for nonpayment of bills:*

(1) *A past due notice shall be incorporated into the customer's normal billing each time an account is delinquent. This notice shall inform the customer that the account is past due and that the utility service is subject to being disconnected if the billing is not paid within seven days after the date of such past due notice.*

(2) *If the account is not paid within seven days after the date of the past due notice provided for in subsection (b)(1) of this section, a disconnect notice will be sent to the customer.*

(3) *The disconnect notice referred to in subsection (b)(2) of this section shall state that unless payment is received within 10 days after the date printed on the disconnect notice service will be disconnected.*

(4) *A customer's electrical service will not be disconnected on a day when KPU's offices are closed or on the day preceding a day when such offices are closed.*

(6) *Electric utility service will not be disconnected for nonpayment of bills in the following situations:*

(A) *Life support equipment is used and is dependent on that utility service for the operation of the apparatus; (Life support equipment must be documented by medical provider. In event of non-payment and no credit arrangements, electricity may be reduced to a level to support equipment, but not major appliances.)*

(B) *The customer presents evidence that establishes that such termination will seriously affect the health or safety of the customer or of a member of the customer's household, provided the customer has made prior credit arrangements with KPU;*

(C) *The customer has made prior credit arrangements for payment and is complying with the terms of such credit arrangement. Credit payment arrangements must specify the payment dates, payment amount, and review dates. The credit arrangement shall be a commitment by the customer to pay the delinquent portion of the bill on a specified date, or in equal payments over a specified period of time that is agreeable with the credit personnel of the finance department. If payments are not being made as agreed, service shall be subject to disconnection;*

(D) *For delinquency in the payment of utility service rendered to a prior customer at the same premises where service is currently being provided, except in the instance where the prior delinquent customer continues to reside on the premises.*

(7) *Exceptions to the provisions of this section regarding the manner, sequence, or time for payment or disconnections of utility service may be granted by the city director of finance or by the utilities manager.*

Section 11.04.060 Delinquent bills.

Bills not paid within 25 days after the date of the billing are delinquent and subject to late payment charges. The late payment charge shall be five percent of the amount of the delinquency. Accounts which are not on a special credit arrangement will receive a past due (delinquent) notice incorporated into the bill for the following month. Failure to receive mail is not a valid reason for nonpayment of the bill. Upon receipt of the delinquent notice the customer shall either pay the amount due or make acceptable payment arrangements with the city finance department. Failure to promptly pay the delinquent bill or make and

comply with the terms of acceptable credit arrangements for payment will initiate action to disconnect the utility. (Ord. 1065 § 3, 1985)

In addition to the required provisions in the Municipal Code listed above, KPU provides additional notifications to customers prior to disconnecting electric service, including courtesy calls via both automated calls and personal calls.

The disconnect process for each of the four Electric cycles is summarized as follows:

- Seven days after a new electric bill (which has a past due dollar amount) is generated, a bright colored personalized cut-off notice is hand produced and mailed to the address on file. This gives the customer at least 10 days to pay the past due balance.
- One week after the mailing, an automated call is placed to all the phone numbers on a customer's account. This is generally a Wednesday or Thursday.
- The following Monday, personal calls are placed to anyone who has not yet paid the past due or made a payment arrangement.
- Delinquent accounts still unpaid or without arrangements on Tuesday morning will have a disconnect order placed on that same morning effective for that day.

This process is demonstrated through a sample example, below:

- 4/5/21 April bill sent showing due date of 5/3/21, but goes unpaid
- 5/5/21 May bill sent showing both current and past due balance with 5% late fee
- 5/13/21 Cut Off Notice is sent stating that if past due is not paid or if credit payment arrangements are not made by 5/24/21 then service will be disconnected.
- 5/20/21 Automated Courtesy call is made to all of the customer's contact numbers on the account. Calls generated on Wednesdays or Thursdays
- 5/24/21 Personal Reminder call is made by KPU staff to customer's contact number(s)
- 5/25/21 Service order for disconnect is generated and electricians perform disconnects. This disconnect is for services actually consumed in March, billed the first week of April, which are still unpaid as of late May.
- Please note that KPU disconnects midweek, generally on a Tuesday, and never on a Friday per department policy.

For each of the four Electric Cycles, there are generally 100 to 200 accounts that are delinquent to the point of disconnect but through multiple points of contact, KPU is able to reduce the number of actual disconnects to only a few accounts per cycle. For October the number of disconnect notices that were generated were 524 but the actual number of accounts disconnected were only 17 for the month.

Disconnection exceptions:

KPU has established several other policies to avoid disconnecting customers which are not part of the Municipal Code, but are part of KPU's standard operating procedures. These include Weather, Holidays, and Grants.

Weather Exception

Although the Municipal Code does not address cold weather disconnects for non-payment of bills, it has been the past practice of KPU to not disconnect Electric for non-payment when the forecasted high temperature is below 35 degrees and the low temperature is below freezing (32 degrees). Past practice has also been to consider the following 7-10 day forecast.

- On Disconnect day, check the weather forecast with the National Weather Service (forecast.weather.gov), and if it falls within the noted temperatures, follow steps below:
- Communicate with Division Supervisor for final decision on disconnects.
- Prepare Door Hanger address list for Meter Department personnel to place a Door Hanger at each location asking the customer to contact the Credit Department.
- Up until the actual disconnect can take place, once weather warms up, which can be weeks to months some years, KPU will continue to try to contact these customers by phone and mail to make payment arrangements, or collect payment so they can be removed from the SDC (disconnect) list.
- Once the weather warms up, any account not on payment arrangements or paid, then a non-pay disconnect order is processed and a door hanger placed advising them of the disconnect.

Holiday Exception

- KPU has established a policy for not disconnecting any customer for non-payment the week of Thanksgiving or the week of Christmas. This is for two reasons: there are fewer days for the customer to make payment; and, to disconnect and ruin a family's holiday seems cruel and cold.

Grant Exception

- Customers who have been approved for electric grants from any of the granting organizations will not be disconnected for non-payment as long as proof of the grant has been provided to the KPU Credit Department. The granting organizations, such as KIC, Love, INC, Tlingit & Haida, TANF, S of AK Assistance, and Alaska Housing generally contact KPU for verification of the outstanding balances, and KPU actively works with the organizations to make sure that the grant is noted in the correct account, since occasionally the grantee's name is different than the account holder, and occasionally there are multiple accounts under a grantee's name. At times, the grants will not cover the full balance, and the customer will be required to make credit payment arrangements for the balance of the account. It is important to note that there are often multiple steps for grants, particularly with the Alaska Housing CARES grants, and that acceptance by Alaska Housing of an income requirement does not guarantee that the customer would receive a grant. A number of the applicants were ultimately rejected by Alaska Housing for reasons other than income.

COVID 2020 Disconnect Policies

When the pandemic began, KPU instituted policies to not disconnect services and to waive late fees for customers. Specifically, on March 13th, 2020 KPU Telecommunications made the commitment to customers to not disconnect any communication services for non-pay, and to waive all late fees for customers for at least 60 days. After the meeting of April 16th, 2020, based on recommendations from then City Manager Karl Amylon, the City Council agreed that KPU Electric, Port & Harbors, and General Government should follow suit. The Alaska State House subsequently put into place SB 241 which put a moratorium on non-pay disconnects and late fees for certified utilities until November 15, 2021. KPU did not disconnect services for non-payment on any account from February 19, 2020 until April 20, 2021, a period of 14 months. This was a date well past the moratorium date set by the legislature. KPU did not assess late fees on any account from March 23, 2020 until March 19, 2021.

Throughout the pandemic, KPU continued to send out reminder notices to utility customers who were past due, but the verbiage was specifically changed to let those who were past due know that they would not be cut-off for not paying their bill. They were encouraged to pay a small amount, if they could, but the letters stated clearly that they were not being forced to pay to the full amount to avoid disconnect.

KPU Customer Service also mailed electric grant applications and a list of utility relief organizations to each past-due customer during the pandemic.

Prior to resuming disconnects in April 2021, brightly colored disconnect letters were sent to all delinquent customers, in envelopes stamped URGENT.

KPU, with the City Manager and Finance approval, opted to waive Connect fees and deposits on non-pay disconnected accounts for a period of almost two months, when disconnects resumed in April 2021. Connect fees were not charged until June 15, 2021. During the same period, any required security deposits were waived for disconnected accounts. Required Security Deposits resumed on June 22, 2021.

KPU Reconnection of Service

KPU follows the Municipal Code for Reconnection of Service for Non-Payment as listed below:

Section 11.04.080 Reconnection of service

(5) Provisions for Utility Service Reconnection.

(A) Utility service may be reconnected upon payment of the account balance in full and the payment of any additional security deposit that may be required.

(B) Where scheduling does not permit normal service reconnection on the same day as requested, the customer may elect to pay an after-hours charge for obtaining reconnection of service that day or service will be reconnected on the next available business day.

Section 11.08.020, 11.08.030, 11.08.040 Service Connect Charge

(d) Service Connect Charge. The service connection charge is \$87.30 per customer.

A disconnected electric customer's cost to reconnect from SDC (Service Disconnect Status) ,per the Municipal Code section 11.04.080 shown above, requires the payment in full of the entire current and past-due balance of the account, plus a possible security deposit. The deposit depends upon the number of non-pay disconnects a customer has had in 12 months, and is a minimum of \$50.

A service connection fee of \$87.30 is assessed on any reconnected account and will appear on the next month's bill. The Service Connection fee is not a Reconnect fee, but is actually the fee charged for any connection of service including: new account at a location; a transfer of service; and reconnection of disconnected services. This fee pays for the electrician to go to the disconnected site to physically reconnect the service and take a meter reading.

Per the Municipal Code section 11.04.080 (5) B above, if the customer does not pay the required amount until after the normal service day is complete for the Electric Division, the service will not be connected until the following work day, unless the customer opts to pay for the overtime call-out fee for an electrician which is currently \$390.

Credit Arrangements

Because the cost requirements to reconnect services as per the Municipal Code are so stringent, is of utmost importance for customers to contact the KPU Credit Department as soon as possible so that payment plan arrangements can be set up to avoid disconnect. Customers receive multiple contact from KPU to prevent disconnect, including bills, letters, and phone calls. However, once service is disconnected, the options for reconnect are more limited. The single most important thing a customer can do is reach out to the KPU Credit Department before the date of disconnect.

Because KPU is bound by the laws of the Municipal Code, deviation from the requirements for reconnect are more limited once service has been fully disconnected. Occasionally, deposits will be reduced or eliminated in order to allow the customer to reconnect. Because Municipal Code requires payment in full of all current and past due charges, KPU will often not require payment of a most recent bill if the disconnected bill has multiple months of past-due balances. Lastly, If after being disconnected KPU receives a grant confirmation from an agency stating that they will be paying the account balance in full KPU will reinstate service immediately, unless confirmation is received after the Electric Department operating hours. In that case service will be restored on the next Electric work day. For Grants, KPU does not require the payment to reconnect.

If a non-pay disconnect is due to KPU error an immediate reconnect will be generated with all fees and overtime fees waived.

KPU Customer Service Staff

KPU Customer Service would ordinarily have 10 staff people who answer phone calls most days, including three in the Credit Department. There are also two front counter staff who answer questions when they are not managing online payments, balancing accounts, or taking payment from customers. Monday's staff count is only seven due to required Saturday coverage, and Saturdays only have three staff people available.

KPU CS staff sell services in-store, trouble shoot equipment, sell and troubleshoot Verizon devices, enters orders, and audits orders, in addition to making reminder calls and taking inbound calls.

The number of connected calls to KPU Customer service average 225 calls per day, or 5,850 per month. Average call time is three minutes. Any call which is not answered and where the customer leaves a message has the call logged and is called back by the two staff people assigned to call-backs.

KPU CS has been short one staff person since August 1, 2021, when an employee was promoted to a position at KPU Telcom. KPU CS had two separate applicants choose to take a positions elsewhere; however, a current applicant is in the background check process. Once hired, the training process for new employees is complex and it is a minimum of one month before they can begin to take calls on their own.

Cc: Michelle Johansen, Finance Director

K.P.U. MANAGER'S REPORT

Project Status Reports of the KPU Division Managers – October 2021

Acting General Manager Simpson attached for Council review the project status reports of the KPU division managers for the month of October 2021.

Report of October 22, 2021 Power Outage

Acting General Manager Simpson provided the Council a memorandum from Electric Systems Engineering Manager Jeremy Bynum regarding the power outage of October 22, 2021.

Ketchikan Public Utilities Policies for Disconnect for Non-Payment

Acting General Manager Simpson provided the Council a memorandum prepared by KPU Sales, Marketing & Customer Service Division Manager Kim Simpson regarding information Councilmember Gage had requested on Ketchikan Public Utilities' payments and disconnect policies.

Councilmember Gage felt we need to review and restructure the current ordinance. She said based on the number of calls per day, do we have the staff to be able to properly handle them.

Sales, Marketing and Customer Service Division Manager Simpson answered questions from the Council regarding disconnect and reconnect charges. She gave details from her attached report on how they handle disconnects and late payments notices. She said they are also looking into other programs like a text messaging service and a kiosk that integrates with electrical for past due notices to customers.

Termination of Verizon Wireless Agent Agreement and Closure of the Verizon Agent Store

Acting General Manager Simpson attached for Council review a memorandum from Telecommunication Divisions Manager Ed Cushing regarding Verizon's decision to terminate the wireless agent sales agreement with KPU effective May 2022. She stated Verizon has elected at a corporate level to terminate a number of agreements that they have with rural agents. She felt this will impact the community by those folks who do carry Verizon service. She stated after that date our customer service agents will no longer be able to sell or assist customers with anything having to do with Verizon.

CITY CLERK'S FILE – None

CITY ATTORNEY'S FILE – None

FUTURE AGENDA ITEMS

Councilmember Gass said he would like an executive session scheduled for an update regarding discussions Acting City Manager Simpson has had with Ketchikan Dock Company and any other organization.

Councilmember Bradberry said she would like a discussion item to discuss a strategic plan for KPU and what direction the Council wants to see the City go.

Councilmember Kistler said she would like to see some numbers regarding sales tax cap.