

## 6. Billing and Collection of Electricity Accounts

- **At the time of this report, tenants who occupy municipal buildings had past due electricity account balances of approximately \$125,000 out of \$607,000 in monthly billings, which equates to a 20.6 percent delinquency rate. More than 11 percent of Port tenant account balances were 90 days past due. For example, one Port tenant, who opened an account in March of 2002, had an average account balance of \$20,852 in 2002, \$46,036 in 2003, and \$48,992 in 2004. This high delinquent rate and the rate of growth in delinquent balances suggests that the Public Utilities Commission has not established adequate policies or procedures for collecting this subcategory of electric accounts.**
- **The Public Utilities Commission should develop more rigorous policies and procedures for enforcing collection of delinquent accounts. Specifically, penalty fees should be established for retail accounts that are 30 days or more past due and policies should be adopted for discontinuing service on retail electricity accounts when they become 90 days past due. In addition, regular reports should be developed and routinely provided to the Hetch Hetchy Enterprise Retail Services Manager to ensure more timely collections.**

### Billing and Collection of Electricity Accounts

The Public Utilities Customer Services Division staff bill all municipal retail accounts for electricity. Municipal retail accounts include:

- San Francisco Unified School District and Community College District facilities.
- City General Fund departments.
- City Enterprise departments.
- City parking garages.
- Port tenants.
- Airport tenants.

The San Francisco Unified School District, Community College District, and City General Fund departments pay \$0.0375 per kilowatt hour for electricity. City Enterprise departments, the City parking garages, and the Port and Airport tenants pay retail market rates, that are comparable to the Pacific Gas and Electric Company's retail tariff rates as approved by the California Public Utilities Commission, which equal on average \$0.14 per kilowatt hour as of September 14, 2004.

In August of 2004, the Public Utilities Commission adopted a resolution, modifying electricity rates for the Moscone Center, Candlestick Park, the Asian Art Museum, and the Fine Arts Museums. Under this resolution, the Moscone Center would be charged the General Fund electricity rate of \$0.0375 per kilowatt hour rather than the average retail market rate of \$0.14 per kilowatt hour, in FY 2004-2005 and retroactive to FY 2003-2004. Candlestick Park would be charged the General Fund electricity rate rather than the retail market rate in FY 2004-2005. The Asian Art Museum would be provided electricity free of charge, in FY 2004-2005 and retroactive to FY 2003-2004 and the Fine Arts Museums would be provided electricity free of charge in FY 2004-2005.

### **Billing Retail Customers for Electricity**

The Pacific Gas and Electric Company, which owns most of the electricity meters for the Hetch Hetchy's municipal retail accounts, provides meter read data monthly to the Hetch Hetchy Enterprise Retail Services Section and the Customer Services Division. Retail Services and Customer Services staff review the Pacific Gas and Electric Company meter data and then import the data to the Utility Star system, which produces the monthly electricity bills. The Customer Services staff maintain electricity billing rates in the Utility Star system, and are responsible for generating electricity bills.

The Customer Services Division assumed responsibility for retail electricity accounts billing and collections on behalf of the Hetch Hetchy Enterprise in 2000. The Customer Services Division acquired the standard Utility Star software in 2002 and is in the process of upgrading the standard Utility Star software to the "platinum" version. According to Customer Services staff, although the Public Utilities Commission has a small number of electricity accounts, the electricity rate structure is complex, and the platinum version of the Utility Star software will be better able to handle the complexity.

Most retail customers are on Pacific Gas and Electric Company meters, including most City departments. The Customer Services Division bills these retail customer accounts directly. The Airport has a master meter, and the Customer Services Division sends only one bill to the Airport. The Airport is responsible for Airport tenants' electricity use.

The Port facilities are on meters installed by either the Pacific Gas and Electric Company or the Port. Most Port tenants are responsible for paying the electricity bill, and the Customer Services Division bills these tenants directly, whether on Pacific Gas and Electric Company meters or on Port-installed meters. In other instances, the Port is responsible for the electricity bill, whether the facility is occupied by the Port or by a Port tenant, and the Customer Services Division bills the Port directly for these accounts.

A few retail customers, such as Pier One, the 5<sup>th</sup> and Mission Streets parking garage, and the Moscone Center skating rink, are on an automated meter reading system installed by the Hetch Hetchy Enterprise.

The Customer Services Division has approximately 2,095 retail electricity customer accounts, which are billed monthly. Total monthly billings equal approximately \$6.2 million. Most retail electricity accounts are for public agencies, including the San

Francisco Unified School District, the San Francisco Housing Authority, and City General Fund and Enterprise Fund departments. The Customer Services Division bills the Airport for Airport tenants' electricity use, but bills Port tenants, Moscone Center tenants, and the parking garages directly. The total monthly billing for Port tenants, Moscone Center tenants, and the parking garages are approximately \$600,000.<sup>1</sup>

### **Collecting Retail Customer Accounts**

The Financial Services Accounting Section is responsible for collecting electricity bill payments for most City departments. Beginning in June of 2004, City departments receive electricity bills monthly rather than quarterly. The departments receive a monthly master report, and the Financial Services Accounting Section processes the City departments' electricity bill payments as work orders.

The Customer Services Division staff send a master bill to the Port for all retail electricity accounts for which the Port is responsible, and the Financial Services Accounting Section processes the Port's payment as a work order, in the same manner as other City departments.

The Customer Services Division staff bills Port tenants directly who are responsible for their own electricity accounts. The Customer Services Division staff post the Port tenants' electricity account payments in the billing system and forward the posting report and the customer's check to the cashier. The cashier encodes and deposits the check, and sends deposit documentation to the Financial Services Accounting Section. The Accounting Section is responsible for balancing the customer account with the payment.

The Customer Services Division does not have written policies and procedures for collecting electricity account payments. If the payments are past due, the Customer Services Division staff follow procedures similar to the procedures for collecting past due water bills. For past due accounts, a reminder notice is sent with the second bill. If the account is still past due after the second month, a more strongly worded reminder notice is sent with the third bill.

The Customer Services Division does not have a policy to terminate service for delinquent accounts. After the third month without a payment, a letter is sent to the Port and to the Hetch Hetchy Enterprise Retail Services Section. The Hetch Hetchy Enterprise Retail Services Section is then responsible for working with the Port to receive payment.

According to the October 22, 2004 Customer Services billing records, Moscone Center tenants and parking garage customer accounts were current. However, approximately 11.3 percent of all Port electricity customer accounts are 90 days past due or more, as shown in Table 6.1.

---

<sup>1</sup> According to the October 22, 2004 "Aged Accounts Receivable Detail by Utility" report, provided by Customer Services, total monthly billings for Moscone Center and Port tenants and parking garages were \$607,013.

**Table 6.1****Status of Port Electricity Customer Accounts, as of October 22, 2004**

Type of Account	Total Amount of Bills				Total of All Bills	Percent of All Bills That Are 90 Days Past Due
	Current Month	30 Days Past Due	60 Days Past Due	90 Days Past Due		
Port accounts	\$117,341	\$53	\$0	\$0	\$117,394	0.0%
Port tenant accounts	<u>484,749</u>	<u>39,538</u>	<u>15,565</u>	<u>68,629</u>	<u>608,481</u>	<u>11.3%</u>
Total	\$602,090	\$39,591	\$15,565	\$68,629	\$608,534	11.3%

Source: Public Utilities Commission Customer Services Division

Many of the Port electricity customers with accounts that are past due for 90 days or more make partial payments when they receive the second or third past due notice. As noted in Table 6.2, the average outstanding balance increased in 2004 compared to 2003 for six of the seven largest outstanding accounts.

**Table 6.2**  
**Average Outstanding Electricity Account Balance for Port Electricity**  
**Customers with Account Balances 90 Days Past Due**  
**2003 and 2004**

<b>Average Outstanding Balance</b>	<b>Tenant 1</b>	<b>Tenant 2</b>	<b>Tenant 3</b>	<b>Tenant 4</b>	<b>Tenant 5</b>	<b>Tenant 6</b>	<b>Tenant 7</b>
2004	\$48,992	\$11,461	\$7,845	\$5,945	\$2,815	\$2,230	\$731
2003	<u>46,036</u>	<u>8,753</u>	<u>6,096</u>	<u>3,108</u>	<u>3,233</u>	<u>1,623</u>	<u>121</u>
Increase in Average Outstanding Balance in 2004	\$2,956	\$2,707	\$1,749	\$2,837	(\$418)	\$607	\$610

Source: Public Utilities Commission Retail Services Division

The average outstanding balance for Port electricity customers with past due accounts for 90 days or more continues to grow. One Port tenant, who opened an account in March of 2002, had an average account balance of \$20,852 in 2002, \$46,036 in 2003, and \$48,992 in 2004, indicating that despite partial periodic payments, the tenant was increasingly in arrears in paying the electricity bill.

The Public Utilities Commission needs to establish a rigorous policy to collect outstanding payments from tenants with past due electricity accounts. The Customer Services Division needs to develop written policies and procedures for collecting retail electricity accounts. The policies and procedures should include routine reporting on aged accounts receivables to the Hetch Hetchy Retail Services Division.

The Public Utilities Commission needs to adopt penalty fees for retail electricity accounts that are 30 days past due or more. Collection procedures for these penalty fees should be included in the Customer Services Division written policies and procedures.

Additionally, the Public Utilities Commission Retail Services Section should work with the Port to develop written procedures for terminating electricity service to retail electricity accounts that are past due.

## Conclusions

The Public Utilities Commission should establish more rigorous policies to collect past due retail electricity accounts, including establishing penalty fees and procedures for terminating service for retail electricity customers with past-due accounts.

## **Recommendations**

The Public Utilities Commission should:

- 6.1 Establish penalty fees for retail electricity customer accounts that are 30 days or more past due.

The Director of Customer Services in coordination with the Hetch Hetchy Retail Services Manager should:

- 6.2 Develop written policies and procedures for collecting retail electricity customer accounts, including procedures for terminating electricity service to retail electricity accounts that are 90 days past due.
- 6.3 Routinely provide aged account receivables reports to the Hetch Hetchy Enterprise Retail Services Manager.

The Hetch Hetchy Enterprise and the Port should:

- 6.4 Develop joint protocols to ensure timely collection of Port electricity customer accounts, including written procedures for terminating electricity service to retail electricity accounts that are 90 days past due.

## **Costs and Benefits**

Development of rigorous collection policies and procedures, including establishing penalty fees for past due retail electricity accounts, could result in an estimated minimum of \$125,000 in one-time electricity revenues if all accounts were current.