Payment Arrangement #1

Burdock and his friends all rent a big house. Burdock has the utility account in his name, and divides up the bill every month among his roommates. For years this has worked well, and the bills have been paid on time, but not last winter… In January unexpectedly two long-time roommates moved out, and neglected to pay their portion of the bill. Burdock received a disconnection notice, and came up with and paid $100 but that was not even half of the notice amount. The temperatures were too cold to disconnect during the window.

In February, out went another disconnection notice. Again Burdock was not able to pay half of the arrearage, but did pay $150. Again, low temperatures prevented disconnection during the window. In March, Burdock received another disconnection notice. The delinquent disconnect amount was $800, and current charges were another $200, so the total due was $1,000. The forecast for the disconnection window dates was for warmer weather, so Burdock knew he would have to make a large payment.

He was able to get a commitment of $400 from Community Action, so he called the utility to make a payment arrangement. He told the utility that there was no way he could pay more than $50 per month on top of the current monthly charges on his own. He also said that the situation would definitely change as soon as he got some new roommates, which he thought would happen soon. He asked the utility if they could spread the arrearage over 8 months so he could be sure he could make the payments on his own in the unlikely case he found no roommates, but that he would pay more right away when he found new roommates.

The utility told Burdock no, and that they would only agree to spread the arrearage over 3 months because he had only paid a total of $250 in the last two months. Burdock, prior to this winter, had a perfect 3 year payment history of paying on time.

How would your company address these circumstances? What do the rules say about this issue?

Q. How would your company address these circumstances?

A. CAPI would say that Burdock’s prior payment history, unexpected circumstances of two roommates moving out, the fact that he had a $400 commitment from Community Action, and that he knew what he could realistically pay each month towards the delinquency should have been taken into consideration when setting up the payment arrangement.

Q. What do the rules say about this issue?

A. Board rule 3.302(G), regarding establishment of a reasonable payment arrangement, states:

When establishing a reasonable repayment plan, the company *shall* consider the income and income schedule of the customer, if offered by the customer, they customer’s payment history, the size of the arrearage and current bill, the amount of time and reason for the outstanding bill and whether the delinquency was caused by unforeseen circumstances.

Additionally, Board rule 3.302(B)(6) states that “disconnection shall not be permitted if … the ratepayer has not been given an opportunity to enter into (a) a reasonable repayment plan … and (b) in the case of gas and electric utilities, a monthly installment plan for the payment of future bills.” A budget billing plan would be consistent with option (b).

Payment Arrangement #2

Gladys is having a terrible time keeping up with the fall and winter bills, and her income payment always comes in after her utility bills are due. Due to additional difficult circumstances, she’s got extra family members staying with her and there is an increase in her usage. Gladys does not want to go on a budget payment plan. In October, she received a disconnection notice. She paid half the delinquent balance in time and made a payment arrangement on the outstanding balance.

In November her family members moved out in a hurry and didn’t keep their promise to her to give her some money for utilities, so she missed her first payment under the arrangement and thereby broke it. Gladys received a disconnection notice by phone for a 72 hour shut off, in compliance with Winter Rules as the temperatures were projected to be in the 40’s at night. [CAPI note: “…in compliance with Winter Rules…” is a red herring. Low-temp restrictions are 10 degrees, or 32 degrees when someone in the household is at least 62 years old.]

She called Community Action right away and they were able to provide her with half of the delinquent balance, so she called the utility and they made another payment arrangement with her. Gladys made her first payment under the new arrangement in December on time. In January, Gladys missed her payment again because her check comes after the utility bills are due. Again she received a call from the utility company saying she broke the payment arrangement and they were going to disconnect her service in 72 hours, weather permitting, unless she paid the total delinquent balance.

Gladys said she would be able to give them half of the notice amount within 72 hours, but the utility told her that they won’t accept only half, and can’t give her another payment arrangement because this is her second broken arrangement and it would be against Public Service Board rules to grant another one. Gladys came through with half of the delinquent balance before the shut off date, but the service was still disconnected.

What are the rules that apply to this scenario, and were they applied correctly?  Could the utility have handled this situation differently?  Why or why not?

Q. What are the rules that apply to this scenario, and were they applied correctly?

A. The rules that apply to this scenario are

* 3.302(B)(6) - Exceptions to disconnection: “the ratepayer has not been given an opportunity to enter into (a) a reasonable payment plan or, having entered into such a plan, has substantially abided by its terms in accordance with Section 3.305(A); and (b) in the case of gas and electric utilities, a monthly installment plan for the repayment of future bills.”

Except for the pending disconnection in January, it would appear the utility applied this rule correctly. The reasoning behind not allowing Gladys to enter into another payment arrangement in January—that it would be “against Public Service Board rules” to grant her another one because she had already broken two prior arrangements—is not valid (see CAPI rule analysis below).

* 3.302(G), Establishment of a Reasonable Repayment Plan: “When establishing a reasonable repayment plan, the company shall consider the income and income schedule of the customer, if offered by the customer, the customer’s payment history, the size of the arrearage and current bill, the amount of time and reason for the outstanding bill and whether the delinquency was caused by unforeseen circumstances.”

It would seem that the utility did not apply this rule correctly, although without more information about what information Gladys offered a definite answer cannot be given. However, because her income check arrives “after the utility bills are due,” it would have been reasonable to make the due date for the payment under the arrangement after she receives her income check so she could make the payment as agreed.

* 3.305, Notice Under Repayment Plan:

1. Notwithstanding the provisions of 3.301(C), when a utility proposes to disconnect service because of a ratepayer's failure to abide by the terms of a repayment plan it shall deliver or mail to the address at which service is to be disconnected (with a copy mailed to the ratepayer's billing address if different) a notice containing the information required by Sections 3.303(A)(1) and 3.303(B). If made in person, delivery shall be effected at least 72 hours prior to disconnection; if the notice is mailed, it shall be deposited in a United States post office at least five days prior to disconnection. In lieu of giving written notice, the utility may give notice orally, in person or by telephone, at least 72 hours prior to disconnection. Substantial compliance with a repayment plan established under Section 3.307(B) or Section 3.302(B)(6) shall be demonstrated if the customer has paid at least 75 percent of each agreed-upon payment as due.

It would appear that the utility applied this rule correctly.

* Additionally, the CAPI rule analysis regarding the number of reasonable repayment plans that a customer is allowed would apply to this scenario. The question is whether there is a limit on the number. The answer is “No. Reasonableness is the only limit.”

It would appear that the utility did not apply the rule correctly, as mentioned above.

Q. Could the utility have handled this situation differently?

A. Yes. In November the utility could have established the due date for her payment under the arrangement to fall after the date she receives her income payment. This was the reason she missed the payment in January, triggering a 72-hour broken payment notice. Had Gladys been able to receive her check before the due date she could have made the payment on time and avoided potential disconnection.

Also, the utility could have agreed in January to accept half of her delinquent balance and offered to put her on a budget billing plan with a concurrent 12-month payment arrangement, even though she initially did not want to go on a budget plan. Or, the utility could have tried to work with her in setting up a different arrangement.