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**DIRECT TESTIMONY OF MONICA WHITING**  
**On Behalf of Arizona Public Service Company**  
**Docket No. E-01345A-22-0144**

October 28, 2022

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ATTACHMENT LIST

Drivers of J.D. Power (JDP) Customer Satisfaction; APS Performance for Residential  
and Business Customers ..... Attachment MW-01DR

Excerpt From EEI “Enhancing Customer Payment Approaches to Better Serve  
Residential and Small Business Customers” ..... Attachment MW-02DR

**DIRECT TESTIMONY OF MONICA WHITING  
ON BEHALF OF ARIZONA PUBLIC SERVICE COMPANY  
(Docket No. E-01345A-22-0144)**

**I. INTRODUCTION**

**Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.**

A. My name is Monica Whiting. I am Vice President of Customer Experience and Communications, and Chief Customer Officer for Arizona Public Service Company (APS or Company). I am responsible for providing customer operations and services for APS's 1.3 million residential and business customers, with a dedicated focus on improving the customer experience. This includes managing the Customer Experience Center (the inbound call and service center), Customer Revenue Operations, Communications, Customer Experience Strategy, Solutions and Initiatives, and Business Customer Engagement. My business address is 400 N. 5<sup>th</sup> Street, Phoenix, Arizona 85004.

**Q. WHAT IS YOUR PROFESSIONAL BACKGROUND?**

A. I have worked in the utility industry for nearly 30 years at public power and investor-owned utilities throughout the country. Some of those utilities continuously performed in the top quartile for customer satisfaction, while I others I helped successfully improve their overall customer experience and ranking in national surveys. Throughout my career, my focus has been on customers – their experiences interacting with the company, how the company effectively communicates with them, how the company gathers their voice and input to drive continuous improvement, and developing and delivering the products and services they use as part of their utility experience. Prior to coming to APS, I was the Vice President of Customer Experience and Communications, and Chief Customer Officer at Tampa Electric Company (TECO) & Peoples Gas Systems (PGS). Before that, I served as the Chief Customer Officer at Jacksonville Electric Authority (JEA). I also led and worked in various customer experience operations,

1 and communications and marketing roles for Colorado Springs Utilities. I earned  
2 my Bachelor of Arts degree in Public Relations and Journalism from the University  
3 of Southern California.

4 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE ARIZONA**  
5 **CORPORATION COMMISSION (COMMISSION)?**

6 A. Yes. I provided testimony in APS's 2019 Rate Case proceeding. I have also spoken  
7 on behalf of APS at Commission Open Meetings.

8 II. SUMMARY

9 **Q. PLEASE SUMMARIZE YOUR DIRECT TESTIMONY.**

10 A. I describe the Company's proposals to meet its customers' evolving needs and  
11 expectations. In addition to APS's responsibility to provide safe, reliable, and clean  
12 energy service, the proposals I describe recognize the Company's fundamental  
13 responsibility and commitment to deliver an excellent customer experience. Over  
14 the last couple of years, APS has made many improvements in customer service,  
15 including improved telephone service levels, improved digital usability and  
16 functionality, and new payment channels, among others. In addition to these  
17 improvements, industry and customer research and stakeholder input have pointed  
18 to additional ways to improve APS's customer experience. These include proposals  
19 for:

- 20 • Enhancing its current limited-income program to a two-tiered discount  
21 program to address APS's most vulnerable customers' energy burden,  
22 which includes an increased discount for those customers with the greatest  
23 financial hardship;
- 24 • Removing in-network customer payment fees in recognition of shifting  
25 customer expectations for electronic payment channels; and
- 26 • Adding two additional off-peak holidays for customers on time-of-use rates.

1     **III.     CUSTOMER EXPERIENCE IMPROVEMENTS**

2     **Q.     HAS APS SEEN IMPROVEMENTS IN THE CUSTOMER EXPERIENCE?**

3     A.     Yes. Over the past two years, APS worked extensively with customers,  
4           stakeholders, and the Commission and has leveraged industry best practices to  
5           improve the customer experience – and the collective efforts are making an impact.  
6           As a result, APS’s customers are experiencing positive improvements in the  
7           Company’s services and products. The impact can be seen by improvements in a  
8           number of measures, including in J.D. Power (JDP) overall residential and business  
9           customer satisfaction. Attachment MW-01DR provides an explanation of JDP’s  
10          customer satisfaction drivers and also shows APS’s improvement in these drivers  
11          and overall satisfaction. The most recently available results show that, through the  
12          third quarter of 2022, APS moved into the second quartile for overall residential  
13          customer satisfaction when compared to large investor-owned utilities; and,  
14          through the second quarter of 2022, APS moved into the first quartile nationally  
15          for business customer satisfaction.

16  
17          JDP customer satisfaction is determined based on customers rating six key drivers  
18          of satisfaction – Power Quality and Reliability (PQ&R); Price; Billing and  
19          Payment; Communication; Corporate Citizenship; and Customer Care (phone,  
20          digital and in-person). APS has improved in every driver of satisfaction. More  
21          specifically, the Customer Care driver, including both phone and digital customer  
22          care, has significantly improved to the first quartile. This driver’s rise can be tied  
23          to several important improvements – for example, telephone service levels have  
24          improved to an average speed of answer below 60 seconds and approximately 75%  
25          of calls answered in 30 seconds or less. In addition, the Company implemented  
26          many digital best practices, including:

- 27          •       Visual enhancements to the aps.com home and payment pages;

- Simplified links and content;
- Statewide Spanish language transactional capability;
- Improved navigation; and
- Enhancements to the outage center.

The Communications driver and attributes have also improved, as shown in Figure 1. Many of the attributes are a core measurement of the Company's Customer Education and Outreach Plan.

*Figure 1. J.D. Power Quartile Improvements to Attributes and Key Indicators Shaped by Communications*

J.D. Power Customer Satisfaction Attributes and Key Indicators Shaped by Communications	2021 Quartile	Q3 2022 Quartile	Trend
Efforts to Communicate Changes that Affect Account/Service	4	2	↑
Creating Messages that Get Your Attention	4	3	↑
Recall of Utility Communications	3	2	↑
Ease of Understanding Your Pricing Options	4	2	↑
Efforts to Help You Manage Your Monthly Usage	4	2	↑
Customer Awareness of Energy Efficiency/Conservation Programs	2	1	↑

The PQ&R driver also continues to have strong performance, remaining in the second quartile three-quarters of the way through 2022. Performance for this driver is tied to several important initiatives the Company has been working on, including new and improved Estimated Time of Restoration (ETR) allowing APS to communicate outage restoration times more effectively with customers, and proactive text and email alerts for planned and unplanned outages.

1 Additionally, APS has enhanced other alerts such as consumption notifications and  
2 bill payment notifications. Worth noting, in 2021, APS was ranked as an  
3 industry-leading utility nationally in best practices including perfect power,  
4 customers enrolled in online accounts, bill-ready alerts and the percentage of  
5 customers using their mobile app. While APS is proud of these improvements, the  
6 Company's goal continues to be listening to customers, and collaborating with  
7 stakeholders and the Commission, to improve the customer experience over the  
8 next several years and to become a top quartile ranking utility in overall residential  
9 and business customer satisfaction.

10 **IV. PROPOSALS FOR LIMITED-INCOME CUSTOMERS**

11 **Q. PLEASE BRIEFLY DESCRIBE APS'S CURRENT ENERGY SUPPORT**  
12 **PROGRAM FOR LIMITED-INCOME CUSTOMERS.**

13 A. APS offers the highest discount and funding for limited-income customers in  
14 Arizona. The APS Energy Support Program provides a 25% bill discount to all  
15 customers at or below 200% of the Federal Poverty Level (FPL), as described in  
16 Rate Rider E-3. Customers with qualifying medical equipment are eligible for a  
17 discount of 35%, as described in Rate Rider E-4.

18 **Q. WHAT ARE THE BENEFITS OF APS'S CURRENT ENERGY SUPPORT**  
19 **PROGRAM?**

20 A. APS's current Energy Support Program provides a simple and understandable  
21 discount to a qualifying customer's APS bill. Today's program has the following  
22 benefits:

- 23 • It supports the 200% FPL for enrollment in the program;
- 24 • It is simple and understandable for customers and assistance providers, who  
25 help customers enroll in the program;
- 26 • It provides customer certainty about the discount percentage participants  
27 will receive each month;

- It leverages the ability to “auto-enroll” customers who are approved for other assistance programs such as Low Income Home Energy Assistance Program (LIHEAP), Supplemental Nutrition Assistance Program (SNAP) or Emergency Rental Assistance Program (ERAP), which have income eligibility requirements at or below the APS Energy Support Program, so customers can be added to the Energy Support Program without having to apply separately for each program;
- It is efficient to administer; and
- It is designed thoughtfully, considering the financial impact of the program on other APS customers.

**Q. DURING THE TEST YEAR, WHAT WAS THE NUMBER OF CUSTOMERS ENROLLED IN THE ENERGY SUPPORT PROGRAM AND WHAT WAS THE TOTAL SPEND BY APS ON THE ENERGY SUPPORT PROGRAM’S DISCOUNTS?**

A. The number of customers enrolled in the Energy Support Program and receiving bill discounts under this program at the end of the Test Year was approximately 70,600. In the Test Year, APS provided discounts in the amount of \$33.8 million. The average monthly discount received by participating customers was \$36.33.

**Q. IN ITS LAST RATE CASE, DID THE COMMISSION ASK APS TO CONSIDER CHANGES TO ITS LIMITED-INCOME PROGRAM? IF SO, PLEASE EXPLAIN.**

A. Yes. The Commission directed APS to collaborate with stakeholders to develop and propose for the Commission’s consideration a limited-income program focused on reducing a customer’s energy burden.

APS held a series of stakeholder meetings to develop a limited-income program aiming to reduce the energy burden of APS’s most vulnerable customers. Energy

burden is the amount of a customer's annual electricity bill divided by the customer's annual household income. Energy burden represents the concept that lower income customers pay a higher percentage of their total income for their utilities. Organizations represented in the stakeholder meetings included Wildfire, the National Consumer Law Center, American Association of Retired Persons (AARP), Arizona Center for Law in the Public Interest, Arizona Public Interest Research Group (PIRG), Earthjustice, Hopi Tribe, Residential Utility Consumer Office (RUCO), and Commission Staff. While a full stakeholder consensus on a new proposal was not achieved, the collaborative effort was productive, respectful, and cooperative. The group worked together to review the available data, consider possible program designs, and discuss how the proposed program would address the energy burden of limited-income customers. The stakeholder discussions, suggestions, and challenging questions shaped the tiered limited-income proposal being offered by APS below.

**Q. PLEASE DESCRIBE APS'S TIERED LIMITED-INCOME PROPOSAL.**

A. APS proposes to enhance its Energy Support Program to include a discount structure with two tiers based on household income, not exceeding 200% of the FPL. As demonstrated in Figure 2, customers with verified income levels between 0 to 75% of the FPL would receive a discount of 60% off of their monthly bill, capped at a discount of \$165 per month. Customers with income levels between 75% to 200% of the FPL would continue to receive a 25% discount, as they do today, but capped at \$95 per month. With this proposal, customers with qualifying medical equipment who currently qualify for E-4 would continue to receive an additional 10% discount above their corresponding tier discount, if they are on the 75% to 200% FPL tier, which equates to a 35% discount.

Figure 2. APS's Tiered Limited Income Proposal

FPL Level	Discount %	Maximum Monthly Discount
0 - 75%	60%	\$165
>75% - 200%	25%	\$95

The additional tiered discount provides a much bigger discount for customers with a higher energy burden and provides a significant discount for other limited-income customers, which lowers their energy burden as well. APS estimates that, of APS's currently participating customers, approximately 19,000 customers would be eligible to receive the proposed 60% discount and 52,000 would receive the proposed 25% discount.

**Q. WHAT ARE THE BENEFITS OF A PROGRAM DESIGNED TO REDUCE THE ENERGY BURDEN WITH TIERED DISCOUNT LEVELS?**

A. The 60% discount for customers who earn 0-75% of the FPL has a significant impact for this customer group's energy burden. For example, a single parent and child who earn 50% of the FPL will have an estimated energy burden of 18.6% if this family is not receiving a limited-income discount. With APS's current program, this family would receive a 25% discount and their energy burden would drop to 14%. With APS's proposed additional tiered discount, this family would receive a 60% discount and their energy burden would drop to 7.5%. Additionally, an elderly couple at 200% of the FPL that is not receiving a limited-income discount would have an estimated energy burden of 4.7%. Under APS's current program and under APS's proposed tiered discount program up to the cap, this elderly family would receive a 25% discount and their energy burden would reduce to 3.5%.

1 **Q. WHAT IS THE ANTICIPATED COST OF THE TIERED LIMITED-**  
2 **INCOME PROPOSAL?**

3 A. The cost of the proposed discount program is anticipated to be approximately \$41.3  
4 million, which is a \$6.9 million operating cost increase compared to the current  
5 program. APS witness Jessica Hobbick provides in her testimony further  
6 explanation regarding the proposed program costs to support this proposed two-  
7 tiered discount program designed to address customer energy burden.

8 **Q. DOES APS OFFER ADDITIONAL PROGRAMS FOR LIMITED-INCOME**  
9 **CUSTOMERS?**

10 A. Yes. APS has additional assistance programs that provide discounts to qualified  
11 limited-income customers, as well as programs to help customers stay on top of  
12 their bills. The APS Crisis Bill Assistance provides up to \$800 per year for eligible  
13 customers to cover their APS bill. APS provided \$1.2 million APS Crisis Bill  
14 Assistance during the Test Year. Decision No. 78317 (November 9, 2021)  
15 increased the amount APS may spend on Crisis Bill Assistance to \$2.5 million. The  
16 Company is requesting to continue the increased funding of \$2.5 million for the  
17 program in future years.

18  
19 APS also has a Limited-Income Weatherization DSM program, which provides  
20 qualified customers with energy-efficient home improvements aimed at reducing  
21 their energy consumption. In the Test Year, APS spent approximately \$9.1 million  
22 on this program.

23  
24 Additionally, qualified customers may receive up to \$300 through the Salvation  
25 Army as part of the Salvation Army Project SHARE program. This program is  
26 funded in part through voluntary contributions by APS customers and employees,  
27  
28

1 with APS matching the employee donations. In the Test Year, the Company  
2 disbursed \$361,439 through SHARE.

3 **Q. WHAT EXTERNAL RESOURCES ARE AVAILABLE TO APS'S**  
4 **LIMITED-INCOME CUSTOMERS?**

5 A. APS partners with over 100 community assistance partners and agencies (local,  
6 state, and federal providers) to connect customers with available funding to reduce  
7 and/or pay for their energy bills. APS's collaboration has focused on simplification  
8 for customers when applying for programs, working with community partners to  
9 identify those customers in need of assistance, and increasing communications and  
10 outreach. In the Test Year, APS customers received a total of \$27.2 million in  
11 assistance from the external sources identified in Figure 3, which is in addition to  
12 the approximately \$33.8 million of bill discounts provided under the Energy  
13 Support Program and \$1.2 million provided in Crisis Bill Assistance.

Figure 3. Test Year External Utility Bill Assistance Programs

Program	Description	No. of Assistance Transactions (also called “guarantees”), Customers may receive multiple guarantees.	Amount
Low-Income Home Energy Assistance Program (LIHEAP)	Helps customers with their heating and cooling energy costs, bill payment assistance, energy crisis assistance, weatherization and energy-related home repairs.	5,200	\$3.5 million
Emergency Rental Assistance Program (ERAP)	Offers eligible Arizona residents impacted by the COVID-19 pandemic up to \$3,500 per month in combined rent and utility assistance.	45,200	\$16.3 million
Unspecified APS and External Fund Source	Assistance guarantees submitted to APS that did not specify the source of the funding.	10,600	\$6.8 million
Homeowners Assistance Fund (HAF)	Offers eligible Arizona residents impacted by the COVID-19 pandemic up to \$3,500 per month in combined mortgage and utility assistance.	998	\$0.6 million

V. PAYMENT FEE REMOVAL

**Q. WHAT PAYMENT FEES APPLY CURRENTLY FOR APS CUSTOMERS?**

A. Currently, payment fees charged by vendors and passed on to customers directly apply to payments made by credit cards, debit cards, Amazon Pay, Venmo, PayPal, kiosks and in-person retailers. These fees range from \$1.50 to \$2.95 per transaction and are currently paid by the customer.

1 **Q. HAS THERE BEEN A SHIFT IN CUSTOMER EXPECTATIONS AND**  
2 **HOW BUSINESSES, INCLUDING UTILITIES, HANDLE THESE FEES?**

3 A. Yes. Digital payments are commonplace today in multiple industries. According  
4 to the Edison Electric Institute (EEI):

5 Today's residential and small business customers expect bill  
6 payment options from electric companies to be consistent with what  
7 they experience in other areas of their lives and business  
8 interactions; customers want digital payment options. According to  
9 McKinsey & Company's *2021 Digital Payments Consumer Survey*,  
10 in 2021, 82 percent of Americans used a digital payment channel –  
11 defined to include browser-based or in-app online purchases, in-  
store checkout using a mobile phone and/or QR code, and person-  
to-person payments compared to 78 percent in 2020, and 72 percent  
five years ago.

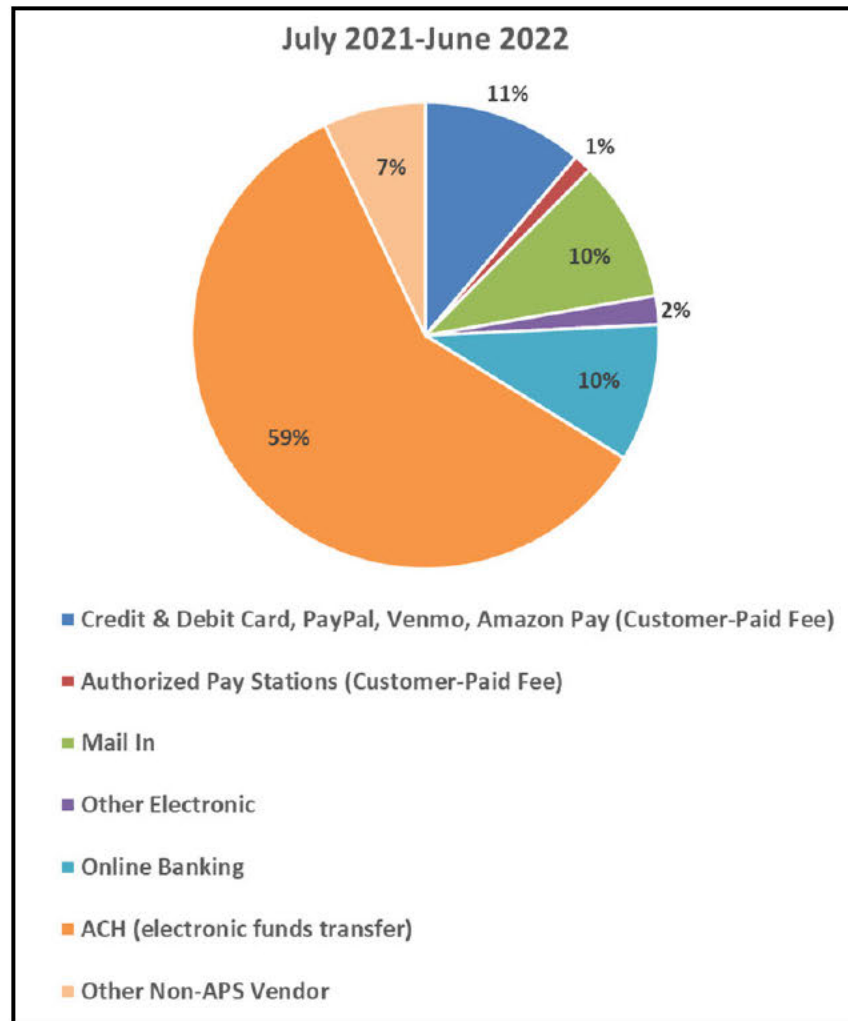
12 Excerpt from EEI Issue Brief, *Enhancing Customer Payment Approaches to Better*  
13 *Serve Residential and Small Business Customers*, May 2022 (Attachment  
14 MW-02DR).

15  
16 This is consistent with the EEI year-over-year data that shows utility customers  
17 continue to shift from using paper payment checks to digital payment options as  
18 shown in Attachment MW-02DR.

19  
20 Offering fee-free payment options improves customer satisfaction, aligns electric  
21 companies with the payment trends in other industries, and supports the growing  
22 number of APS customers who prefer the convenience of digital payments but are  
23 disgruntled about having to pay a fee when using a credit or debit card for payment.  
24 JDP and other studies show that customers highly value choice in digital payment  
25 options without fees. According to JDP 2021 best practice recommendations,  
26 payments absent of fees are important for a utility to improve their overall customer  
27 satisfaction. Today, APS customers expect to pay digitally. The majority of  
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1 payments to APS (82%) are being made digitally (*see* Figure 4). Approximately  
2 12% of APS payments include vendor fees passed on directly to the Company's  
3 customers and some of APS's customers have expressed frustration and  
4 dissatisfaction about needing to pay a fee for payment methods they deem to be  
5 standard today.

7 *Figure 4. Existing Percent of Payments to APS by Type, With or Without Fees*



1 “Today, at least 31 investor-owned electric companies have regulatory approval  
2 for some type of cost recovery to support fee-free credit and debit card payments.”<sup>1</sup>  
3 In the 2019 Rate Case, the Commission approved removal of credit card fees for  
4 limited-income customers. APS would like to address this customer pain point  
5 more broadly.

6 **Q. RECOGNIZING THIS, WHAT IS APS PROPOSING WITH REGARD TO**  
7 **PAYMENT FEES?**

8 A. APS proposes to eliminate payment fees for all APS network payment types and  
9 recover the associated vendor charges for individual transactions in base rates.  
10 Eliminating payment fees increases customer satisfaction by enhancing the ease of  
11 doing business with APS and aligns with today’s standards.

12 **Q. WHAT ARE THE IMPACTS OF THIS PROPOSAL?**

13 A. During the Test Year, APS customers made approximately 1.5 million in-network  
14 digital payments that required fees. By eliminating payment fees, it allows all  
15 customers the opportunity to utilize the payment channel of their choice without  
16 an additional fee, making it easier for customers to do business with APS. With  
17 this transition, the Company expects that customers will complete 5.8 million  
18 payments with credit cards, debit cards, Amazon Pay, Venmo, PayPal, kiosks, and  
19 in-person retailers. With this increased volume, APS will be able to negotiate a  
20 reduced rate from today’s fees, allowing more customers to pay through these  
21 desired digital channels for a lower cost per transaction. Ms. Hobbick discusses the  
22 additional \$10.6 million needed annually to cover payment fees for customers.

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<sup>1</sup> EEI Issue Brief, “Enhancing Customer Payment Approaches to Better Serve Residential  
28 and Small Business Customers” at 1 (May 2022).

1 VI. NEW OFF-PEAK HOLIDAYS

2 **Q. IS APS PROPOSING NEW CUSTOMER HOLIDAYS?**

3 A. Yes. APS is proposing two new additional off-peak holidays, to align with federal  
4 holidays, for residential customers on the Time-of-Use 4pm-7pm Weekdays and  
5 Time-of-Use 4pm-7pm Weekdays with Demand Charge rates, as well as customers  
6 on the Company's frozen Saver Choice Plus demand rate: Juneteenth, which is  
7 recognized on June 19 each year, and Indigenous Peoples' Day/Columbus Day,  
8 which is recognized on the second Monday in October. If approved, residential  
9 Time-of-Use customers will experience off-peak pricing on these days.

10 VII. CONCLUSION

11 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

12 A. Yes.

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## Drivers of J.D. Power (JDP) Customer Satisfaction

### POWER QUALITY & RELIABILITY



- Supply electricity during very hot/very cold temps
- Provide quality electric power in terms of being free from spikes, drops, or surges
- Promptly restore power after an outage
- Keeping you informed about an outage/Provide accurate outage info (bus)
- Avoid brief interruptions of 5 minutes or less
- Avoid lengthy outages of more than 5 minutes

### PRICE



- Total monthly cost of your electric service
- Fairness of pricing
- Ease of understanding your pricing options
- Efforts to help you manage your monthly usage
- Availability of pricing options that meet your needs

### CORPORATE CITIZENSHIP



- Involvement in community
- Variety of energy efficiency programs offered
- Actions to take care of the environment
- Efforts to develop energy supply plans for the future

### BILLING & PAYMENT



- Clarity of info. on your bill
- Ease of paying your bill
- Reasonableness of billing cycle
- Variety of methods to pay your bill

### COMMUNICATIONS



- Efforts to communicate changes that might affect your account or service
- Communicating how to be safe around electricity
- Variety of communications used
- Creating messages that get your attention
- Efforts to get feedback from business customers (bus)
- Frequency of updates and notices of new developments (bus)
- Communications of topics/issues that are important to your business (bus)

### CUSTOMER CARE



- Timeliness of resolving problem, question, request
- Ease of navigating website/mobile app
- Appearance of website/app
- Clarity of the info provided
- Ease of using automated system
- Courtesy of the rep
- Promptness in speaking to a person
- Knowledge of the rep
- Rep's concern for needs
- Helpfulness of live chat rep

## APS Residential Performance Within Large IOU Peer Set

	Quartile		Trend
	2021 Full Year	2022 Q3 YTD	
<b>Overall Satisfaction (100%)</b>	4 <sup>th</sup>	2 <sup>nd</sup>	↑
Power Quality & Reliability (25%)	3 <sup>rd</sup>	2 <sup>nd</sup>	↑
Price (20%)	4 <sup>th</sup>	3 <sup>rd</sup>	↑
Corporate Citizenship (17%)	4 <sup>th</sup>	2 <sup>nd</sup>	↑
Billing & Payment (17%)	4 <sup>th</sup>	2 <sup>nd</sup>	↑
Communications (12%)	4 <sup>th</sup>	3 <sup>rd</sup>	↑
Customer Care (9%)	4 <sup>th</sup>	1 <sup>st</sup>	↑
Digital (5.6%)	4 <sup>th</sup>	1 <sup>st</sup>	↑
Phone (2.6%)	2 <sup>nd</sup>	1 <sup>st</sup>	↑
In-Person (0.8%)	3 <sup>rd</sup>	2 <sup>nd</sup>	↑

## APS Business Performance Compared to the Industry

	Quartile		Trend
	2021 Full Year	2022 Wave 1	
<b>Overall Satisfaction</b> (100%)	4 <sup>th</sup>	1 <sup>st</sup>	↑
Power Quality & Reliability (24%)	3 <sup>rd</sup>	1 <sup>st</sup>	↑
Price (19%)	4 <sup>th</sup>	1 <sup>st</sup>	↑
Billing & Payment (15%)	3 <sup>rd</sup>	1 <sup>st</sup>	↑
Corporate Citizenship (15%)	3 <sup>rd</sup>	1 <sup>st</sup>	↑
Customer Contact (14% or 22% with Contact)	3 <sup>rd</sup>	2 <sup>nd</sup>	↑
Digital (6.0%)	3 <sup>rd</sup>	1 <sup>st</sup>	↑
Phone (4.5%)	4 <sup>th</sup>	2 <sup>nd</sup>	↑
Proactive (3.5%)	3 <sup>rd</sup>	3 <sup>rd</sup>	↑
Communications (13%)	4 <sup>th</sup>	1 <sup>st</sup>	↑



Edison Electric  
INSTITUTE

Customer Solutions

# Enhancing Customer Payment Approaches to Better Serve Residential and Small Business Customers

Issue Brief | May 2022

Prepared by: Adam Cooper, Lisa Wood, and Mike Shuster

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JD Power and other studies show that customers highly value choice in payment options and that includes digital options. Year over year, data show that electric company customers continue to shift from using paper checks to digital payment options (e.g., website, app, text, electronic bank payment, credit cards, and debit cards, Apple Pay, and Google Pay). As customer preferences continue to change, the electric power industry increasingly is expanding its digital payment channels and accepted payment methods beyond credit and debit cards to include Apple Pay, Amazon Pay, PayPal, and Venmo to provide the payment options that customers want. As a result, electric companies are looking to put all payment options on a level playing field for customers by eliminating fees for certain payment options such as credit and debit card fees.<sup>1</sup> Today, at least 31 investor-owned electric companies have regulatory approval for some type of cost recovery to support fee-free credit and debit card payments.

Offering fee-free payment options improves customer satisfaction, aligns electric companies with payment trends of other industries, and supports the growing number of customers who prefer the convenience of digital payments but are disgruntled by having to pay a “fee” when using a credit or debit card for payment. For the roughly five percent of unbanked customers in the United States

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<sup>1</sup> Joint Companies Testimony on Fee Free D.P.U. 20-91 Exhibit JC-Testimony-1 March 8, 2021, Page 20 of 49. <https://fileservice.eea.comacloud.net/FileService.Api/file/FileRoom/13232062>

who rely on pre-paid cards that act like a debit or credit card to pay their bills, eliminating these fees provides direct benefits to this population.<sup>2</sup>

This issue brief discusses emerging digital payment trends, the benefits of expanding fee-free payment options, the types of customers using different payment options, and why creating a level playing field across payment options makes sense. It also provides an overview of the current regulatory treatment for digital payment options.

## Digital Payment Trends: The New Normal

Today's residential and small business customers expect bill payment options from electric companies to be consistent with what they experience in other areas of their lives and business interactions; customers want digital payment options. According to McKinsey & Company's **2021 Digital Payments Consumer Survey**, in 2021, 82 percent of Americans used a digital payment channel – defined to include browser-based or in-app online purchases, in-store checkout using a mobile phone and/or QR code, and person-to-person payments compared to 78 percent in 2020, and 72 percent five years ago.<sup>3</sup>

Figure 1 illustrates 2021 consumer survey results from Fiserv, an industry leader in payment card processing, on customer preferences for various bill pay options.<sup>4</sup> When asked how important it is to offer different ways to pay, 84 percent say paying by credit card is either a “must have” or “nice to have” and 79 percent say the same for debit card payments. For younger customers (millennials or Gen Z) the results are even more dramatic: 94 percent say payment by debit cards is a “must have” or “nice to have.” Most customers say digital methods such as digital payment apps and mobile wallets are a “must have” or “nice to have.”

Digital payments are the new normal. A 2019 study by The Federal Reserve Bank of Boston showed that growth in the use of credit and debit-card transactions increased by almost **nine percent per year** on average between 2015 and 2018.<sup>5</sup> One example of this trend is the U.S. federal government, which is moving toward electronic payments and away from checks and

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<sup>2</sup> Federal Deposits Insurance Corporation. October 2020. “How America Banks: Household Use of Banking and Financial Services.” <https://www.fdic.gov/analysis/household-survey/>

<sup>3</sup> McKinsey & Company. Oct 2021. “New Trends in US Consumer Digital Payments.” <https://www.mckinsey.com/industries/financial-services/our-insights/banking-matters/new-trends-in-us-consumer-digital-payments>

<sup>4</sup> Fiserv. Feb 2021. “Consumer Payments.” [https://www.fiserv.com/content/dam/fiserv-ent/final-files/graphics/infographics/EE\\_Consumer\\_Payments\\_Executive\\_Summary\\_0221.pdf](https://www.fiserv.com/content/dam/fiserv-ent/final-files/graphics/infographics/EE_Consumer_Payments_Executive_Summary_0221.pdf)

<sup>5</sup> Board of Governors of the Federal Reserve System. Dec 2019. “The 2019 Federal Reserve Payments Study”. <https://www.federalreserve.gov/paymentsystems/2019-December-The-Federal-Reserve-Payments-Study.htm>