

DATE: June 16, 2022

TO: Environmental Services Commission

FROM: Nav Ota, Utilities Director
Uma Singh, Acting Assistant Director – Resource Management and Customer Service
Andy Baker, Fiscal Manager

SUBJECT: **Policy Issue: Monthly Billing**

ACTION REQUIRED

No action by the Commission is required at this time. This is an informational briefing.

Staff recommends transitioning to monthly billing, with implementation proposed to coincide with the planned deployment of the new customer information and billing system in 2023.

Staff will ask for a recommendation from the Commission to Council regarding this policy issue at the Commission's July 7 meeting.

BACKGROUND / ANALYSIS

Monthly billing is a service that has been requested by Utilities customers. Bellevue Utilities bills its customers on a bi-monthly basis. While this has been the historical practice of the Utilities Department, there has been a national trend in the utility industry moving towards monthly billing as the standard practice. Monthly billing has been considered internally by staff in the past but has not been raised as a policy issue for consideration prior to this biennium because the existing customer billing software cannot support it. With completion of Advanced Metering Infrastructure (AMI) implementation and the planned upgrade to the new customer information and billing system in 2023, Utilities will have the option to consider monthly billing.

Nationally, the primary reasons why utilities have trended towards monthly billing are:

- Enhanced customer service. The utility bill is the primary touchpoint Utilities has with its customers and reducing the lag between customer behavior and the bill for that behavior can avoid misunderstanding and confusion for ratepayers.
- More manageable household budgeting. Almost all household bills are monthly in nature. A bill frequency that aligns with a typical monthly household budget is less challenging to manage than a larger, less frequent bill which can catch customers by surprise. This is particularly important considering higher summer bills. This is one reason that the American Water Works Association (AWWA) has recommended monthly billing as a measure that can assist low-income customers.¹
- Promotes water conservation. Longer billing frequencies make promoting conservation challenging, because by the time a bill is received, as much as three months of high usage may have been occurring. Under our current bimonthly billing process, bills mailed in the first week of September are for usage that occurs between mid-June and mid-August. Under monthly billing, a customer will

¹ *Thinking Outside the Bill: A Utility Manager's Guide to Assisting Low-Income Water Customers*, 2nd Ed., AWWA, 2014.

receive their first summer-usage bill with time to modify their behavior. Additionally, a more frequent billing cycle can result in earlier identification of leaks or other meter issues.

- Reduces risk of delinquent charges. Customers receive billing information more frequently which reduces the potential of incurring delinquent charges.
- Improving revenue stability. A more frequent billing cycle improves revenue stability for the utility. AWWA recommends that utilities with bimonthly or quarterly billing cycles hold higher cash reserves on hand in order to mitigate the risk of cashflow issues related to less frequent billing.²

On the other hand, there are a few reasons why utilities have retained less frequent billing cycles. These include:

- Billing system limitations. Older billing systems may have limitations in their ability to accommodate more frequent bill cycles. As mentioned, this is an issue with Bellevue Utilities' existing billing system.
- Cost of meter reading. Most utilities implementing monthly billing also increase the frequency of meter reading, accordingly. This can create a significant cost and staffing burden for a utility, and is one of the primary reasons why utilities remain with less frequent bill cycles, particularly for residential customers. There are ways to mitigate this expense, such as averaging a less-frequently read meter over the monthly billing period. However, this reduces the potential water conservation and leak detection benefits mentioned above. Transitioning to AMI provides the opportunity to increase the billing frequency without the cost of manual meter reading.
- Cost of monthly billing. Producing, sending, and processing bills has a cost, and increasing the frequency of billing will increase these costs. The anticipated cost impact of this policy issue for Bellevue Utilities is discussed below.
- Administrative burden of monthly billing. Increasing the number of bills has the potential to increase the number of customer calls. While more frequent billing can reduce the magnitude of issues such as leaks, making those customer calls easier to resolve, this can still be a hinderance for utilities considering monthly billing. For Bellevue Utilities, implementation of the new billing system is expected to create efficiencies, which may offset the increased number of calls. Utilities will continue to evaluate staffing capacity to meet customer service needs in the long term.
- Change management. Both internal process changes and external customer-facing changes can be challenging for utilities to manage. Due to the importance of billing in terms of customer perception, understanding, and confidence, it is essential that any change to billing is managed carefully.

As mentioned above, because of the planned implementation of a new customer information and billing system in 2023, Bellevue Utilities has the option to consider monthly billing. This is also an opportune time as 1) the implementation of AMI in 2022 means that there is no additional cost of meter reading associated with monthly billing, and 2) it is simpler to implement monthly billing with the new billing system rather than convert later. There will still be increased costs related to bill production and processing.

The anticipated budgetary impact of implementing monthly billing is summarized in Table 1.

² *Utility Cash Reserves*, Journal AWWA, April 2018.

Table 1. Projected Costs of Monthly Billing

Cost with Bi-monthly Billing (Status Quo)

Category	2023	2024
Bill print	\$66,982	\$68,757
Postage	\$100,000	\$102,650
Check payment processing	\$25,000	\$25,663
Merchant fees	\$776,872	\$818,046
Total	\$968,854	\$1,015,116

Additional Cost of Monthly Billing

Category	2023	2024
Bill print	\$33,491	\$66,982
Postage	\$42,500	\$85,000
Check payment processing	\$12,500	\$25,000
Merchant fees	\$151,813	\$319,718
Total	\$240,304	\$496,700

Note: Assumes Monthly Billing rollout for half of 2023.

Total Cost with Monthly Billing

Category	2023	2024
Bill print	\$100,473	\$135,739
Postage	\$142,500	\$187,650
Check payment processing	\$37,500	\$50,663
Merchant fees	\$928,685	\$1,137,765
Total	\$1,209,158	\$1,511,817

Note: Assumes Monthly Billing rollout for half of 2023.

POLICY ISSUES

Two policy alternatives are considered:

1. maintain the status quo, with billing on a bi-monthly cycle; or
2. establish a policy to transition to monthly billing, including establishment of rates and charges necessary to enact such practice in a revenue-neutral manner.

Based on consideration of the benefits, risks, and costs discussed above, staff recommends option 2.

FISCAL IMPACT

As presented in Table 1 above, the fiscal impact of Option 2 is an increase to the Utilities 2023-2024 budget of \$737,000.