

VALLEY CLEAN ENERGY ALLIANCE**Staff Report – Item 14**

TO: Board of Directors

FROM: Mitch Sears, Interim General Manager
Edward Burnham, Director of Finance & Internal Operations

SUBJECT: Approve and Adopt Collections Policy

DATE: March 10, 2022

RECOMMENDATIONS

Approve the attached resolution adopting a collections policy for VCE.

OVERVIEW

The Collection Policy is intended to govern the collection of accounts receivable that are no longer being collected by Pacific Gas and Electric (PG&E) and are due to VCE. While VCE is a customer focused entity, best management and business practices require VCE to collect well past-due balances for energy provided to minimize impacts on the overall customer base. Collecting well past-due outstanding receivables can reduce past-due balances and reduce VCE's bad debt expense, thus reducing upward pressure on rates for all other customers.

BACKGROUND

VCE's charges appear on PG&E's bills and are collected by PG&E. During the ordinary course of business, PG&E returns outstanding receivable amounts due to VCE when PG&E is no longer required to collect. Examples of circumstances in which PG&E returns outstanding receivables to VCE include:

- accounts that are closed (move outs)
- a customer has been disconnected due to non-payment
- a customer is bankrupt
- active accounts with receivables more than ~180 days past due

In March 2020, PG&E suspended disconnections as part of the state mandate and increased the threshold for returning receivables to VCE for active accounts. Receivables associated with active accounts have not been returned to VCE by PG&E, though this practice and the disconnection process will resume in the near future. California Public Utilities Commission (CPUC) extended the moratorium on disconnections to the end of September to align with the eviction moratorium and allow the utility debt forgiveness funding to work through the system before any disconnection process resumes. The CPUC also ordered those customers whose debt has not been forgiven to be placed on a two-year repayment plan.

CAC Feedback

As part of the process of developing a draft collections policy, Staff presented the draft collections policy at the January 2022 and February 2022 CAC meetings. The CAC provided the feedback listed below which have been incorporated into the current draft policy:

- An increase in the period to return a customer to the IOU from 90 days to 120 days to allow for more time for customer engagement
- A clearer statement of VCE's customer service and engagement values in the purpose of the policy
- Strengthening the language around the importance of multiple attempts to notify customers before returning them to the IOU or collections efforts.

ANALYSIS

Since 2020 VCE account balances greater than 120 days have increased by \$1.46M to \$2.9M (Table 1, far right column). The primary drivers behind this increase are the CPUC policy decisions described above and the suspension of collections by PG&E during the Pandemic.

TABLE 1 Year Over Year – Aging Amounts by Days

Year	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	> 120 Days
2020	2,863,604	437,576	224,517	174,858	1,429,223
2021	3,095,400	1,071,500	656,100	786,700	2,892,900
Change	231,796	633,924	431,583	611,842	1,463,677

Based on guidance from SMUD and energy sector best business practices, VCE reserves approximately 1% of monthly revenues for the allowance of uncollectable accounts. VCE has accumulated a balance of \$1.9M since 2017 in the allowances of uncollectable account that will be used to write off account balances determined to be uncollectable.

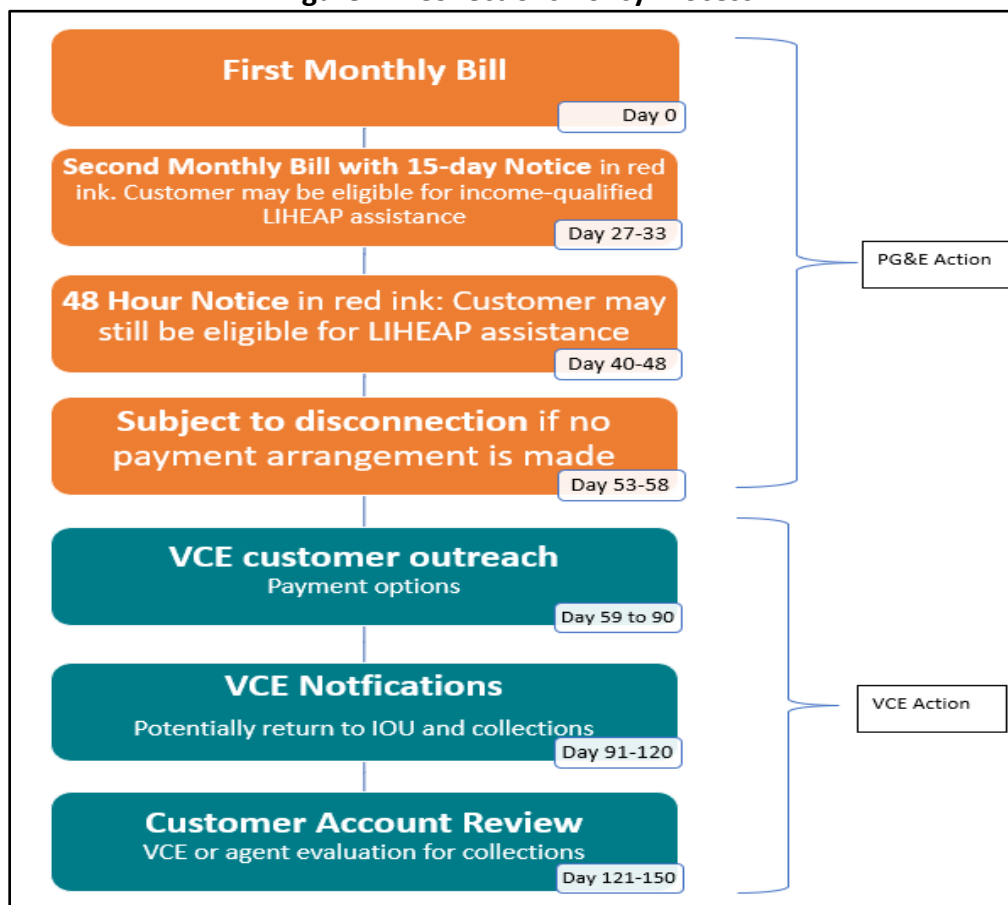
The State of California has allocated \$1B of CARES funding to relieve utility bills incurred during the COVID-19 Pandemic through the California Arrearage Payment Program (CAPP). VCE has received approval for approximately \$800K. The CAPP funding and the allowance for uncollectable accounts provide a combined \$2.7M to offset the outstanding receivables.

When comparing the \$2.7M offset noted above to the \$2.9M balance for accounts older than 120 days that would be subject to collections under the proposed policy, VCE has a remaining balance of approximately \$200K. This remaining balance is the focus of the collections policy and may be resolved by customer payment plans (Arrearage Management Plan), increased collections by PG&E, and possible contributions from member agencies from COVID-related funding applications. If collections do not fully resolve the \$200K "remaining balance", VCE may have to take an impairment to adjust the reserve account proportionally for any unresolved amounts.

Draft Collections Policy

To help manage receivable balances more effectively in the future, Staff has developed the draft collections policy. The draft collections policy is designed as a multi-step process that provides customers several notifications and opportunities to connect with VCE (and PG&E) to resolve the payment issue, including setting up a payment plan. The overall process is shown in Figure 1 below. Note: Most CCAs in PG&E's service territory have collections policies.

Figure 1 – Collections Policy Process



Key elements of the draft policy include:

- Customer outreach for resolution through payment plans or other programs
- Customer Notifications for late payments, return to IOU, and collections
- Collections Criteria to evaluate the cost and benefit
- Evaluation of customer's unforeseeable events, exigent circumstances, or other hardship
- No interest or penalties
- Partnership with collections professionals for best practices

Staff will monitor the impacts of the policy implementation and perform a formal review of the policy effectiveness one year after implementation for any possible improvements and recommended changes.

If the draft policy is adopted by the Board, Staff would establish and define internal collections processes in consultation with selected collection agent(s). Key issues that will be determined through the development of these operational processes include:

- Collections practices based on the total outstanding balance
- The minimum threshold below which it is not cost-effective to attempt to collect
- Conditions in which customer non-payment will be reported to a credit rating agency
- Criteria to identify customers experiencing hardship and are unable to pay in which VCE would not pursue collections for these accounts

Under the draft policy, VCE would contract with a collection agent or agents with experience collecting electric utility bills. VCE would evaluate potential collections agencies based on customer approach and financial effectiveness. Collections agencies with a customer-centric strategy (e.g., demonstrated compassion and helpful approach toward customers in arrears) would be given preference. At present, customers whose receivables have been returned to VCE do not have charges appearing on a current PG&E bill, are not informed that they have outstanding balances with VCE, and are not offered a method to pay VCE charges. The collection agent would provide the following services:

- Inform customers of past due amounts owed to VCE consistent with the Fair Collections Practices Act and any other laws or regulations governing collections.
- Provide methods of payment and collect past due funds from customers
- Provide reporting of amounts collected and uncollectable balances to VCE and SMUD to accurately report accounts receivable balances
- Provide customer call center services and provide customers with final VCE charges

If approved by the Board, collection activity could begin in the second quarter of 2022 with the sending of pre-collections notices to customers whose accounts receivable have been returned by PG&E. Customer outreach strategy will be similar to sister CCAs:

- VCE's customer service representatives (CSRs) would receive training on VCE's collections policy and be given direction to handle collections questions with extreme sensitivity.
- VCE's Late Payment Notification would be appropriately branded and give clear direction to customers on how they can resolve their late payments.
- The Late Payment Notification and CSR training will reference the financial resources available to customers, including programs such as payment plans available through PG&E, the Arrearage Payment Plan, and the California Arrearage Payment Plan.

Community Advisory Committee Recommendation

The CAC recommended approval of the draft collections policy with the addition of a collections process flow chart and inclusion of multiple attempts to contact customers as the first steps in the collections process.

CONCLUSION

If adopted, the proposed Collections Policy is expected to have a positive fiscal impact and reduce additional impairment by reducing accounts receivable and bad debt expense and increasing cash receipts.

Attachments

1. Collections Policy Draft (with flow chart)
2. Resolution adopting collections policy

VALLEY CLEAN ENERGY

DRAFT COLLECTIONS POLICY

I. PURPOSE

- a. This policy establishes Valley Clean Energy (VCE) rules governing late payment and pre-collection notifications to customers, and the process by which a third-party collection agent will collect past due VCE charges on VCE's behalf. VCE or its agent will make all reasonable efforts to contact a customer and to handle collections with a high degree of sensitivity before sending the account to collections.

II. COLLECTIONS

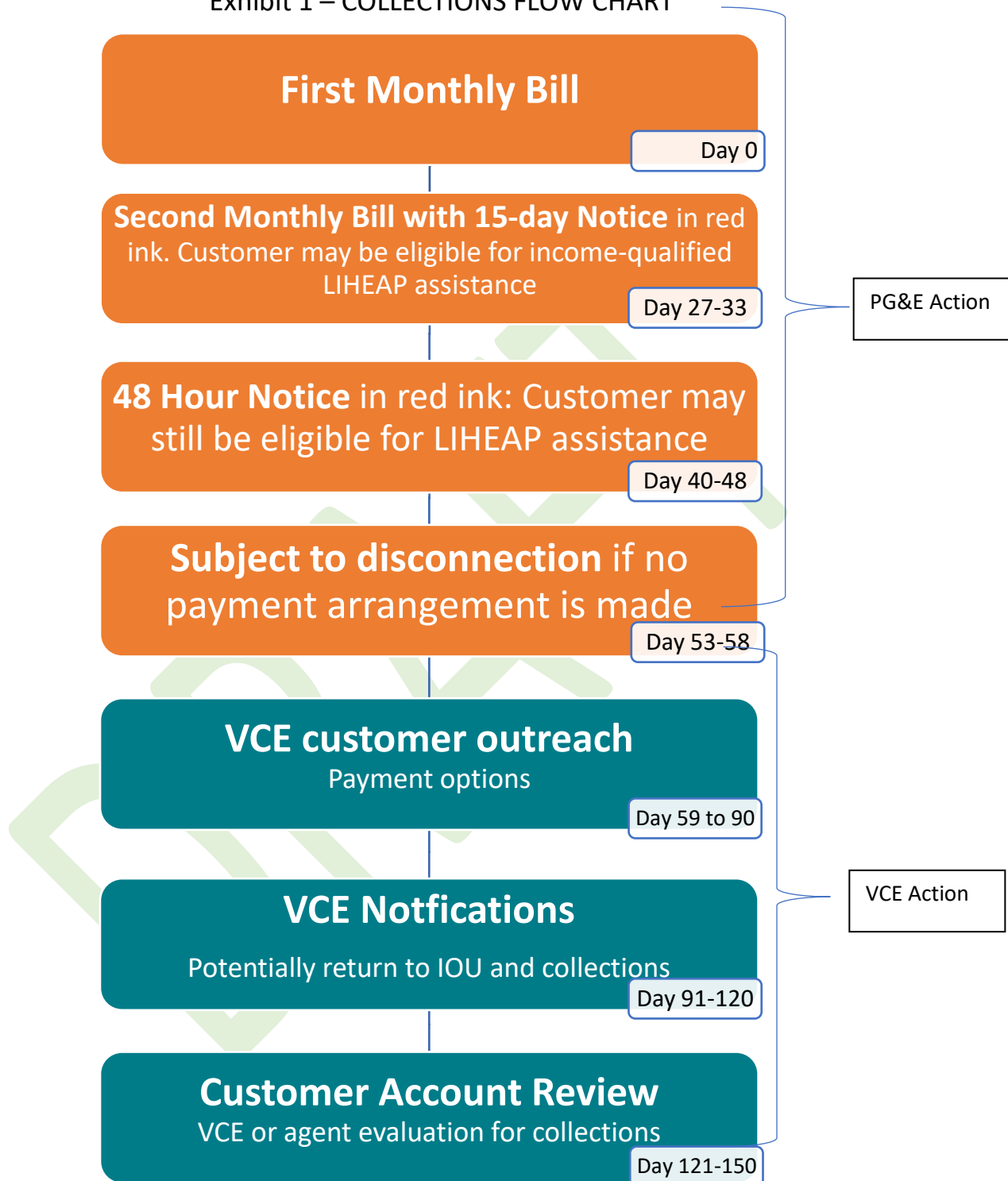
- a. All customers must pay all outstanding VCE charges for the period in which the customer received service from VCE.
 - i. Customers should be returned to Investor Owned Utility (IOU) services for account balances greater than 120 days and no payment plan arrangements with Pacific Gas and Electric (PG&E).
 1. Customers that fail to remain current with payment plans will be returned to IOU services.
- b. Late Payment and Return to IOU Notifications
 - i. Customers will be sent multiple late payment notices to a customer's last known mailing address or if customer consented to receive electronic notices or electronic bills, at customer's last known e-mail address if the account has a VCE balance that is 90 days or more past due and the customer is not on a payment arrangement with PG&E.
 - ii. Late payment notices will indicate that an outstanding balance is overdue and that failure to pay VCE charges to PG&E or to enter a payment arrangement with PG&E may result in being referred to a collection agent designated by VCE.
- c. Collections Criteria
 - i. Except as provided in Section b.ii, any customer account with an outstanding VCE charge that is not subject to collection by PG&E may be referred for collections to a collection agency designated by VCE.
 - ii. Customers enrolled in the California Alternate Rates for Energy (CARE), Family Electric Rate Assistance (FERA), or Medical Baseline programs at the time PG&E returns a receivable to VCE are not subject to the collections criteria in Section c.i. if the balance is \$500 or less.
- d. Pre-Collection Notification
 - i. VCE or its assigned agent will use reasonable business methods, using contact information available through customer information on file with PG&E, to send a multiple pre-collection notices informing any customer account that meets the collections criteria specified in Section II.c. that the customer charges owed to VCE are outstanding and that the customer's account is collectible through a collection agent designated by VCE .
- e. Collection Agent
 - i. VCE may engage one or more collection agents to collect past due funds from VCE customers on VCE's behalf (Collection Agent).

VALLEY CLEAN ENERGY DRAFT COLLECTIONS POLICY

- ii. Once VCE sends a customer account to the Collection Agent, the customer must work directly with the Collection Agent to resolve outstanding charges owed.
 - iii. The Collection Agent retained by VCE shall comply with all laws and regulations relating to consumer protection, credit reporting or monitoring, debt collections, customer confidentiality, or other similar laws or regulations.
 - iv. The Collection Agent is prohibited from selling information provided by VCE to the Collection Agent.
 - v. On no less than an annual basis, VCE shall review the practices and results of the Collection Agent and shall take immediate action to address any performance concerns.
 - vi. VCE may authorize the Collection Agent to reach settlements with customers that result in the recovery of past due funds. Negotiated settlements with a customer in the amount of \$2,500 or more must be approved by the Interim General Manager or the Interim General Manager's designee. Negotiated settlements with a customer in excess of \$50,000 original balance must be approved by the Board of Directors.
 - vii. No VCE interest, penalties, or fees will be assessed on any customer account.
 - viii. If customer has not paid within 180 days following the initiation of the collections process, the Collection Agent may file credit reporting information on the customer with all applicable credit monitoring agencies.
 - ix. Collections Agent is authorized to pursue legal action on behalf of VCE consistent with the Fair Collections Practices Act and any other laws or regulations governing collections.
- f. Executive Director Discretion.
The Interim General Manager or the Interim General Manager's designee may, in their discretion, cancel, recall an account from the Collection Agent, or otherwise deviate from the collection process specified in this policy for reasons including but not limited to cases of unforeseeable events, exigent circumstances, or customer hardship for amounts less than \$2,500.

**VALLEY CLEAN ENERGY
DRAFT COLLECTIONS POLICY**

Exhibit 1 – COLLECTIONS FLOW CHART



VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2022- _____

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE VALLEY CLEAN ENERGY ALLIANCE ADOPTING A COLLECTIONS POLICY

WHEREAS, The Valley Clean Energy Alliance (“VCE”) was formed as a community choice aggregation agency (“CCA”) on November 16, 2016, Under the Joint Exercise of Power Act, California Government Code sections 6500 et seq., among the County of Yolo, and the Cities of Davis and Woodland, to reduce greenhouse gas emissions, provide electricity, carry out programs to reduce energy consumption, develop local jobs in renewable energy, and promote energy security and rate stability in all of the member jurisdictions. The City of Winters, located in Yolo County, was added as a member of VCE and a party to the JPA in December of 2019; and,

WHEREAS, to achieve its strategic goals, VCEA must adopt a Collection Policy to govern the collection of accounts receivable to reduce past-due balances and reduce VCE’s bad debt expense, thus reducing upward pressure on rates for all other customers; and,

WHEREAS, VCE or its agent will make all reasonable efforts to contact a customer and to handle collections with a high degree of sensitivity before sending the account to collections; and,

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance hereby adopts a collections policy (Exhibit A).

PASSED, APPROVED AND ADOPTED, at a regular meeting of the Valley Clean Energy Alliance, held on the ____ day of _____ 2022, by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAIN:

Jesse Loren, VCE Chair

Alisa M. Lembke, VCE Board Secretary

Attachment: Exhibit A – Collections Policy