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PUBLIC ADVOCATE ADVISORY

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Attorney General Negotiates Settlement Requiring That Enstar's Outsourcing of Collection and Billing Practices to Remain Subject to RCA Oversight

(Anchorage) - Attorney General David Márquez announced today that the Regulatory Commission of Alaska ("RCA") approved a settlement requiring continued RCA oversight of Enstar's billing practice for credit card payment of gas bills. Enstar previously outsourced the processing of credit card payments to a third party in April 2005 but opposed the inclusion of the outsourcing arrangement in its tariff.

"A utility company, like any other business, should be free to offer different payment options," said Márquez. "In this instance, the cost charged by a third party to Enstar's customers, when they choose to pay their monthly bill by credit card, should remain subject to regulatory review."

On April 19, 2005, Enstar entered into a contract to outsource the processing of credit card payments of its gas bills to a for-profit vendor, Official Payments Corporation ("OPC"). OPC directly charges ratepayers a "convenience fee" for its services. Historically, costs associated with utility billing and collections have been included within a utility's revenue requirement, which is subject to RCA review for reasonableness as part of a conventional rate case.

The RCA opened a proceeding on this subject because of Enstar ratepayer complaints about the new transaction fee charged by OPC to process credit card payments to Enstar. The Attorney General elected to participate in the proceeding on behalf of the public interest because of the significance of the issue and the potential of the case to establish precedent for the outsourcing of other currently regulated utility functions.

Enstar's initial position was that third-party vendor charges are not subject to RCA jurisdiction and oversight. Prior to trial, this dispute was resolved in a stipulated settlement signed by the attorney general and Enstar on April 12, 2006.

As a result of the settlement, Enstar's arrangement with OPC will be described in the utility's operating tariff. Enstar will notify the RCA, in writing, of any proposed fee increases to ratepayers for credit card payment of gas bills and the RCA will have the right to review all proposed fee changes for reasonableness. Further, any new contract for third party credit/debit card payment services must be submitted by the utility to RCA for approval.

A copy of the RCA's May 15 order and the stipulated settlement can be viewed online at: http://www.state.ak.us/rca/orders/utills/2005/u05054_10.pdf

For additional information on this topic please contact Chief Assistant Attorney General for Regulatory Affairs & Public Advocacy Section Daniel Patrick O'Tierney at (907) 269-5200.

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