

Collection Strategies & Techniques to Reduce Uncollectible Expense

Presentation to the
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& Kosovo Delegation

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About Ameren . . .

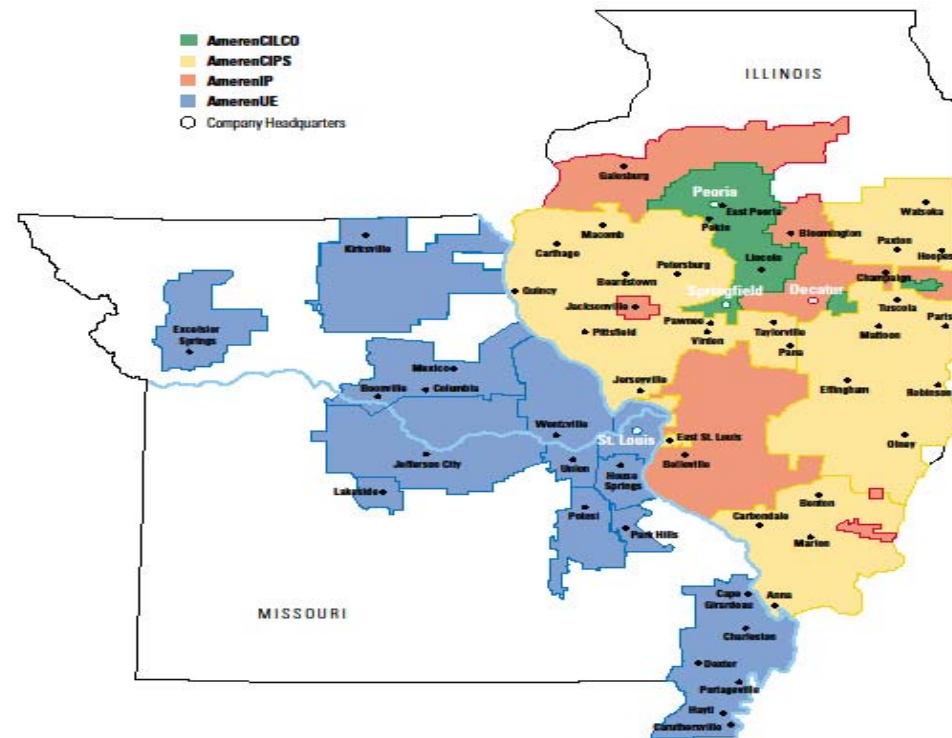


Electric & Gas Utility in Illinois and Missouri

- AmerenCILCO (Central Illinois Light Company) – IL
- AmerenCIPS (Central Illinois Public Service Company) – IL
- AmerenIP (Illinois Power Company) – IL
- AmerenUE (Union Electric Company) – MO

- Ameren Illinois Utilities (AIU) serve:
 - 1.2 million electric customers
 - 840,000 gas customers
 - Approximately 1,000 Illinois communities

Ameren Service Territory Map



Utility Uncollectibles 101



Three Principles:

- Some customers simply CAN'T pay their bills
- Some customers simply WON'T pay their bills
- Utilities are in the business of providing service . . . not disconnecting it, but sometimes there is no other choice.

Factors That Influence Uncollectibles



- Economy
- Unemployment rates
- Bankruptcy
- Weather
- Availability of Energy Assistance
- Regulatory Constraints
- Legislative Constraints
- Government Mandates & Political Pressure
- Operational Constraints

Utility Collection Cycle & Strategies



- Pre-service (minimize fraud, attempt to limit uncollectible exposure, offset uncollectible expense)
 - Application process
 - Initial account security
- Active service (limit uncollectible exposure, protect revenues)
 - On-going account security
 - Collection activities
 - Revenue protection activities
- Final service (maximize recovery to offset uncollectible expense)
 - Collection agency management

Techniques – Pre-service

Positive Identification System

What is it?

A way to curtail credit risk by verifying the identity of customers to reduce fraud.

Why the need?

- Increased incidents of suspected fraud
- Way to verify who we're doing business with
- Centralization

Implementation

- Use of Equifax as vendor
- Electronic data exchange between customer system to Equifax takes 1-2 seconds – minimal impact on inbound call times
- Warning messages displayed
- Warning message follow-up process

Techniques – Pre-service



Positive Identification System (Cont'd)

Results:

- In 2008, between 3%-6% of new applicants were attempting to use a fraudulent ID to obtain service.
- Fraudulent reasons:
 - Using a deceased social security number
 - Using a child's social security number
 - Social security number doesn't exist
- 2008 estimated savings (uncollectible expense avoided) = \$7.2M based on fraud occurrences X average write-off

Techniques – Pre-service



Upfront Residential Application Scoring

What is it?

The use of an external credit score to determine the need for an upfront residential deposit at the time of service application. (Equifax is the AIU vendor.)

Why the need?

In 2008, 53% of AIU residential bad debt came from customers with less than one year of service.

Results:

Approximately \$12M in upfront deposit coverage was obtained to mitigate uncollectible risk through external scoring in 2008.

Techniques – Active Service



Active Account Scoring

What is it?

Apply the proper collection treatment at the appropriate time depending upon the associated risk.

Why the need?

- Focus limited resources on those accounts that represent the greatest risk
- Reduce collection costs
- Improve customer service

Techniques – Active Service



Active Account Scoring (cont'd)

Implementation:

- Implemented 2003
- Total Solutions, Inc. (TSI) as vendor
- Development of 4 collection paths – “A” best path – “D” strict path
- Monthly scoring based on attributes at time of billing – very dynamic
- Philosophy shift from high dollar priority to risk-based

Techniques – Active Service



Active Account Scoring (cont'd)

Results:

First year total results for ALL Ameren operating companies, including Missouri

- 1.3M fewer pieces of credit-related correspondence
- 183K fewer credit-related phone contacts
- 48K non-pay field orders
- Reduction in uncollectible expense
- Improved customer satisfaction

Techniques – Active Service



Proactive Outbound Calling

What is it?

An outbound “courtesy call” reminder made to a past-due customer several days prior to a non-pay disconnection to prompt resolution of the outstanding balance.

Why the need?

- Customers are reluctant to initiate call with bill payment problems
- Provides opportunity to discuss energy assistance and other bill payment options

Implementation:

Nightly file is sent to Varolii (AIU third party vendor) for outbound calling

Techniques – Active Service



Proactive Outbound Calling (Cont'd)

Results:

- 865,000 outbound courtesy collection calls in 2008
- Example - April 2009:
 - 108,000 calls made on arrears totaling over \$71M
 - 92,000 customers made an average payment of \$453 totaling \$42M
 - 40,000 payment arrangements made totaling \$38M with average balance \$970

Techniques – Active Service



Auto-match Process

What is it?

Automatic process to routinely match data base of final and uncollectible accounts to active accounts and transfer balances.

Why the need?

To ensure money that can be collected is not left on the table.

Results – 2008:

\$6.5M final bills identified – 18,000 accounts

\$700K bad debt bills identified – 1,500 accounts

Techniques – Active Service



Non-payment Disconnection

- Last resort option . . .
 - Disconnection is expensive
 - Diverts resources from other customer work
 - Potential negative media issues
 - Customer inconvenience
- Once disconnected . . .
 - Potential for energy theft thru self restoration
 - Payment circumvention
 - In 2008, \$5.2M written off due to new service request within 0-2 days after non-payment disconnect.

Techniques – Active Service

Revenue Protection Program

What is it?

A program to minimize losses caused by theft of service.

Why the need?

- AIU identified and pursued nearly 2,300 theft of service cases totaling \$460K of lost revenue in 2008.
- Public Safety

Types of Theft

- Illegal reconnect – self reconnect where service can be measured
- Diversion – by-pass where theft involves unmeasured service

Techniques – Active Service



Revenue Protection Program (cont'd)

How to identify theft?

- Broken seals/meter upside down
- Tips from neighbors
- Alerts from automated meter system

Program Components

- Illegal reconnect – collect loss attributable to tampering, expenses incurred in repairing or replacing meter and associated administrative expenses. A deposit will be required.
- Diversion – appropriate local law enforcement is included in investigation and case is prosecuted and handled through courts.

Techniques – Final Service



Final Bill Scoring

What is it?

Perform account scoring on final bill accounts to determine the appropriate course of action.

Why the need?

- Increase collection agency recoveries
- Reduce credit-related correspondence and costs

Results:

- 2008 collection agency recoveries were \$4M greater than 2007 recoveries
- Reduction of over 173,000 follow-up mailings

Techniques – Final Service

Final Bill Collection Calling

What is it?

Determine final billed accounts to contact for payment prior to collection agency referral.

Why the need?

- Reduce collection agency expense
- Reduce credit-related correspondence and costs

Results:

Using a third party vendor (Varolii), almost 219,000 final bill collection calls were made within the Ameren operating companies during 2008 (includes AmerenUE).

Techniques – Final Service



Other Techniques to Consider

Amnesty Programs –

Collection agencies are authorized to “forgive” debt in exchange for partial payment of old debt.

Debt Sales to 3rd Party Purchasers –

Pay-off is typically low – cents on the dollar.

Secondary/Tertiary Collection Placements –

Reassign old debt from one collection agency to another, typically at a higher commission rate.

And Finally . . .



How to assist “can’t pay” customers?

- State/Federal Energy Assistance (LIHEAP)
- Company-sponsored assistance programs
 - Dollar More
 - Warm Neighbor
- Special assistance programs
 - Rate Relief Assistance Programs
 - Percent-of-Income Program
- Partnering with other entities

Conclusion



Depending upon the collection strategy, utilize various collection techniques with the overall goal of reducing uncollectible expense while at the same time balancing the costs of collection.

Thank You!



Questions?