



## Staff Report Item 6

**TO:** Ava Community Energy Financial, Administrative, & Procurement Subcommittee

**FROM:** Kelly Brezovec, Sr. Director of Account Services

**SUBJECT:** Accounts Receivable Recovery Process, Proposed Updates

**DATE:** March 13, 2024

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### **Recommendation**

Receive an informational item and provide feedback to proposed updates to Ava Community Energy's Accounts Receivable Recovery Process.

### **Background and Discussion**

The initial policy regarding Delinquent Accounts and Collections (Accounts Receivable Recovery Process) was adopted as part of the February 7, 2018, staff report covering Administrative and Operational Policies. The Board of Directors received an informational review of this policy at the [November 20, 2019 meeting](#). At that time, staff intended to put the policy into operations by the end of the 2019-2020 fiscal year; instead, the policy was put on hold in response to the State's emergency customer protections adopted to support customers impacted by the COVID-19 pandemic. The State's COVID-19 State of Emergency terminated on February 28, 2023. Ava staff is revisiting our Accounts Receivable Recovery Process in preparation of putting it into operations in 2024.

### **Current Policy**

The current policy, which is available, but not enforced, provides paths for three activities related to delinquent payments and the accounts receivable (AR) recovery process:

1. *Ava can return delinquent customers to PG&E for continued non-pay.*
2. *Customers with debt exceeding set limits for both amount of debt and days past due, will be provided with a late payment notification and placed on a payment plan if no payment is received.*

3. *Customers with closed accounts and a past due balance will be available for recovery.*

### **Customer Debt Journey**

Ava customers follow PG&E’s Electric Rules 8 and 11, which outlines actions applied to past due accounts, has not changed substantially since the initial delinquency and collections policy was written in 2018. Previously, the 15-day notice window opened on Day 27-33, the 48 hour notice on Day 41-47 and the account was eligible for disconnection as of Day 50-56. For non-residential, the account was eligible for disconnection on day 32. The current policy is listed below in Table 1.

Table 1: PG&E Delinquency Process as of December 2023

Residential Accounts		Non-Residential Accounts	
Day 0	Bill is completed and issued.	Day 0	Bill is completed and issued.
Day 21	Bill is due	Day 17	Bill is due
Day 22	Past due	Day 18	Past due
Day 27-34	A new bill is issued for current charges and a 15-day notice is included for past due charges.	Day 21-34	A new bill is completed for new charges and any unpaid charges and a 7-day notice is issued for past due charges.
Day 42	96-hour notification sent	NA	NA
Day 44-47	48-hour notice via mail	NA	NA
Day 48	Outbound phone call	NA	NA
Day 51	Account is eligible for disconnection	Day 43	Account is eligible for disconnection
Day 60	Final letter is sent	Day 52	Final letter is sent
Day 95	Reverse debt to CCA	Day 87	Reverse debt to CCA

As shown in Table 1, PG&E follows a schedule regarding delinquency, with several customer touch points, each an opportunity for a customer to pay their bill in full or agree to a payment plan to become current on their balance. Payment plans may be three (3) to 24 months long.

Should a customer fail to pay their balance or enter a payment plan, the customer will be disconnected. Forty-four days after the disconnection, Ava's debt that remains unpaid will be "reversed" to Ava. At this time, Ava may begin efforts to recover debt, as PG&E is no longer issuing bills that include our outstanding balance.

### **Proposed Policy Updates**

1. *Ava can return delinquent customers to PG&E for continued non-pay.*

Ava proposes to maintain this policy. While Ava has not yet returned customers to PG&E, there may be egregious situations that call for the return of customers to PG&E. Returning a customer to PG&E would both allow Ava to cap the arrears and, eventually, PG&E would reverse the debt back to Ava, allowing for collection activities to commence.

The policy does state that the outstanding balance must be over 90 days old. As shown in Table 1, Ava may want to return a customer to PG&E prior to 90 days, since the debt would automatically be returned to us at that time regardless. Staff recommends removing the time restriction to customize this step per situation and limit the number of returns.

2. *Customers with debt exceeding set limits for both amount of debt and days past due, will be provided with a late payment notification and placed on a payment plan if no payment is received.*

The current policy states, for residential customers:

*EBCE (Ava) Residential customer accounts exceeding \$250 in charges overdue for more than 90 days will be sent a late payment notification by EBCE (Ava). The customer will be provided 60 days to pay or make payment arrangements. If payment in full is not received within 60 days from the date of notification, or the terms of an activated payment arrangement are not fulfilled, the EBCE (Ava) customer account may be closed and returned to PG&E bundled generation service on the next account meter read date.*

As shown in Table 1, PG&E is already managing the delinquency process for the customer via several notices and customer contact points. Additionally, Ava does not have the ability to make payment arrangements; payment arrangements, also known as payment plans, are managed by PG&E, who handles billing and payment.

Staff considered maintaining a delinquent payment notification in this policy. However, we are unable to discern, in a timely manner, if a customer has started a payment plan with PG&E. Payment plans result in ongoing payments to Ava, and the customer may become current in as little as three months. A reminder notification

may cause confusion and a customer paying Ava directly, therefore delaying the payment to PG&E - which could result in an avoidable shut-off.

Therefore, Ava proposes removing the policy section delinquent payments for residential, as well as the sibling discussion around non-residential delinquent accounts.

- 3. Customers with closed accounts and a past due balance over \$100 will be sent to collections for overdue charges.*

Ava expects to reduce our accounts receivable balance through a recovery process. Today's policy limits that recoverable balance to \$100. The standard practice at other Community Choice Aggregators varies, with the recovery process threshold ranging from zero to \$100. Staff recommends editing the policy today to allow Ava to choose a starting point and modify as needed to optimize both the customer experience and our operations.

#### Residential Focus: Setting a threshold for AR recovery

Of outstanding debt from closed accounts, closed residential accounts contribute 55% of the total outstanding debt and 93% of total (closed) accounts, making this population a natural focus for Ava's initial AR recovery actions.

Over 93,000 residential customers have closed accounts with debt aged 61 days or more. As shown in Table 2, a lower limit of \$10 would include most of our uncollected debt while having no limit would result in over 5,500 customers receiving an invoice of less than one dollar. At a lower dollar amount of \$10, Ava would be able to attempt to recover approximately \$1.6M more from about 40,000 customers, compared to a higher threshold of \$100.

Lowering the amount to \$0 would require Ava to send out an additional 20,000 notices to customers and only bring in approximately \$39,000. This would not be cost-effective as it would cost about \$1 per letter sent. There are approximately 10,000 customers that owe between \$5-10 totaling about \$70,000. This amount is not substantial enough for us to attempt to collect currently.

Table 2: Arrears for terminated residential customers, at 61+ days past due.

Threshold	Total Count	Total Arrears	CARE/ FERA Count	CARE/ FERA Total Arrears	Standard Count	Standard Total Arrears
Total	93,153	\$14,656,000	21,065	\$4,429,780	70,288	\$10,226,800
≥\$100	26,916	\$13,043,000	9,494	\$4,034,425	15,624	\$9,009,740
<\$100	66,237	\$1,612,000	11,571	\$395,360	54,664	\$1,217,060
≤\$50	54,848	\$795,000	8,293	\$156,830	46,555	\$637,690
≤\$20	38,744	\$265,650	4,815	\$39,055	33,928	\$226,595
≤\$10	27,757	\$105,260	3,041	\$12,685	24,716	\$92,575
<\$1.00	5,592	\$2,635	548	\$250	5,404	\$2,380

Next, staff reviewed the differences between Residential CARE/FERA, standard residential customers, and non-residential customers, as shown in Tables 3 and 4. While customers in a special program do show slightly higher levels of average and median arrears, the range is similar. Non-residential customers, as expected, have higher average arrearage. Staff will examine these differences more while moving forward with the recovery process.

Table 3: Residential & non-residential arrears, average and median, at 61+ days past due.

Customer Type	Average Arrears	Median Arrears
Standard Residential	\$160	\$30
Residential CARE/FERA	\$210	\$82
Residential Non-CARE/FERA	\$146	\$25
Non-Residential	\$1,764	\$154

Table 4: Arrears for terminated non-residential customers, at 61+ days past due.

Lower Limit	Non-residential Customer Count	Total Arrears
Total	6,723	\$11,859,300
>\$1,000	1,375	\$10,847,360
≥\$100	3,874	\$11,770,040
<\$100	2,849	\$89,260
≤\$50	2,127	\$35,900
≤\$20	1,351	\$9,095
≤\$10	970	\$3,420
<\$1.00	273	\$96

Ava expects to begin our AR recovery process around a lower limit of \$10 and will modify based on results and feedback. It's important to note that while this activity may result in recovery and collections activity for CARE/FERA customers, these customers have already closed their accounts. Ava's recovery activities will not be the cause of customers being shut off for non-pay. Ava is making a request to collect on owed funds, on closed accounts. This recovery process will not negatively impact a customer's credit report.

### **Fiscal Impact**

In the past five years of operations, Ava has amassed over \$26 million in outstanding debts. While some of this is old debt and will be part of a write off process, at a \$5 million annual accrual rate, a recovery process that nets 20% of past due AR would see an additional \$1 million back to Ava's budget.

### **Attachments**

1. Current Policy
2. Amended Policy
3. PowerPoint
4. Resolution

# Accounts Receivable Recovery Process: Proposed Policy Update

Financial, Administrative, & Procurement Subcommittee

March 13, 2024



# History

- The Delinquency and Collections policy was approved by the Board in 2018
- Staff had intended to put the Delinquency and Collections policy into operations by the end of the 2019-2020 fiscal year
- During COVID-19, California's emergency customer protections paused collections activities for utilities
- Ava is revisiting our Accounts Receivable Recovery Process in preparation of putting it into operations in 2024





# Current Delinquency and Collection Policy

## *Available, but not yet in operations*

1. Ava may return delinquent customers to PG&E for continued non-pay.
2. Customers with debt exceeding set limits for both amount of debt and days past due, will be provided with a late payment notification and placed on a payment plan if no payment is received.
3. Customers with closed accounts and a past due balance will be available for recovery.



# Current Customer Debt Journey

RESIDENTIAL	COMMERCIAL
Day 21: Bill is due	Day 17: Bill is due
Day 27-34: 15-day notice is sent	Day 21-34: 7-day notice is sent
Day 42: 96-hour notification sent	
Day 44: 48-hour notice is sent via mail	
Day 51: Account is eligible for disconnection	Day 43: Account is eligible for disconnection
Day 95: Reverse debt	Day 87: Reverse debt



# Return Customers to PG&E

## Current

- Customers with outstanding balances over 90 days are eligible to be returned to PG&E.
- They may be charged the applicable Ava opt out fee.

## Proposed

- Ava will continue to reserve the right to return delinquent customers to PG&E bundled service.
- Ava will continue to reserve the right to charge an opt out fee.



# Delinquent Payment Notice Process

## Current

- Ava residential accounts exceeding \$250 & non-residential accounts exceeding \$500 in charges overdue for more than 90 days will be sent a late payment notification by Ava.
- Residential customers will be provided 60 days to pay or make payment arrangements and non-residential will be provided 30 days.
- If payment in full is not received within 30/60 days from the date of notification, or the terms of an activated payment arrangement are not fulfilled, the Ava customer account may be closed and returned to PG&E bundled generation service on the next account meter read date.

## Proposed

- Remove delinquency notices, as all delinquent payment notices are sent by PG&E as described in Rule 8 & 11
- Payment arrangements (payment plans) are managed by PG&E. Ava is unable to manage payments for active customers. Remove this reference.



# Accounts Receivable Recovery Process

## Current

- Closed Ava accounts with overdue amounts greater than \$100 may be referred to a collection agency.
- Amounts \$100 or less may be written off.

## Proposed

- Closed Ava accounts with overdue amounts may be recovered via a collections agency or other recovery process.
- Other CCAs have thresholds ranging from zero to \$100
  - Staff recommends removing the threshold from the policy to allow for flexibility in starting the recovery process and to optimize the experience
  - Staff recommends a lower threshold for recovery, starting at \$10



# Residential Focus: Setting a Threshold

- Of outstanding debt from closed accounts
  - Closed residential customer accounts contribute 55% of the total outstanding debt, about 93% of total accounts
- A threshold of \$50 would exclude over half of customers from recovery efforts
- A threshold of \$0 would include over 5,500 customers that owe less than \$1



# Residential Focus: Setting a Threshold

Residential arrears for terminated customers, 61+ days past-due

Lower Limit	Customer Count	Total Arrears	CARE/ FERA Cust Count	CARE/FERA Total Arrears	Non CARE/ FERA Resi Cust Count	Non CARE/FERA Resi Total Arrears
Total	93,153	\$14,656,000	21,065	\$4,429,800	70,288	\$10,226,800
≥\$100	26,916	\$13,043,000	9,494	\$4,034,400	15,624	\$9,009,700
<\$100	66,237	\$1,612,000	11,571	\$395,400	54,664	\$1,217,100
≤\$50	54,848	\$795,000	8,293	\$156,800	46,555	\$637,700
≤\$20	38,744	\$265,650	4,815	\$39,100	33,928	\$226,600
≤\$10	27,757	\$105,260	3,041	\$12,700	24,716	\$92,600
<\$1.00	5,592	\$2,640	548	\$250	5,404	\$2,400



# Residential Focus: Distribution

- CARE, FERA, or Medical Baseline customers have a similar, though higher level of arrears than standard residential customers
- Staff expects to continue to review these differences during the recovery process implementation

Residential arrears for terminated customers, 61+ days past-due

Residential Customer Type	Average Arrears	Median Arrears
Standard	\$160	\$30
CARE, FERA, or Medical Baseline	\$210	\$82
Non-CARE/FERA	\$146	\$25
Non- Residential	\$1,764	\$154





# Non-Residential Focus: Setting a Threshold

- Of outstanding debt from closed accounts
  - Closed residential customer accounts contribute 45% of the total outstanding debt, about 8% of total accounts
- A threshold of \$0 would include over 273 non-residential customers that owe less than \$1

Arrears for terminated non-residential customers, at 61+ days past due.

Lower Limit	Non-residential Customer Count	Total Arrears
Total	6,723	\$11,859,300
>\$1,000	1,375	\$10,847,400
≥\$100	3,874	\$11,770,000
<\$100	2,849	\$89,300
≤\$50	2,127	\$35,900
≤\$20	1,351	\$9,100
≤\$10	970	\$3,400
<\$1.00	273	\$96



# Fiscal Impact

- Total arrears for terminated accounts currently about \$28.4 million
- \$26.5 million available for recovery
- 20% recovery rate would reduce this to \$21.1 million
- Ongoing estimates at 60% recovery rates would recognize an additional ~\$3 million in revenues



# Thank you!



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**ACCOUNTS RECEIVABLE RECOVERY PROCESS**

**Policy Number:**  
**Approval Date:**  
**Agenda Item:** Item 6  
**Approved by Resolution:** {To be added by Clerk}

**Delinquent Accounts:**

Pursuant to Electric Rules 8 and 11, Pacific Gas & Electric (PG&E) uses the following process to determine past due accounts and the necessary action:

<b>Residential Accounts</b>		<b>Non-Residential Accounts</b>	
Day 0	Bill is completed and issued.	Day 0	Bill is completed and issued.
Day 21	Bill is due	Day 17	Bill is due
Day 22	Past due	Day 18	Past due
Day 27- 34	A new bill is issued for current charges and a 15-day notice is included for past due charges.	Day 21-34	A new bill is completed for new charges and any unpaid charges and a 7-day notice is issued for past due charges.
Day 42	96-hour notification sent		
Day 44-47	48-hour notice via mail		
Day 48	Outbound phone call		
Day 51	Account is eligible for disconnection	Day 43	Account is eligible for disconnection
Day 60	Final letter is sent	Day 52	Final letter is sent
Day 95	Reverse debt to CCA	Day 87	Reverse debt to CCA

**Aging Accounts:**

All Ava Community Energy accounts, whether Residential or Non-Residential, identified in the month aging accounts receivable report, as provided by PG&E, are eligible to be returned to PG&E for continued non-payment. Customers returned to PG&E may be charged the applicable Ava opt-out fee.

**Accounts Receivable Recovery Process:**

Closed Ava accounts with overdue amounts may be recovered by Ava or referred to a collection agency and are subject to the recovery process established by this policy.

This policy replaces the existing policy for Delinquent Accounts and Collections (P-2018-4).



**POLICY NO. 2018 - 4  
Delinquent Accounts and  
Collections**

**Agenda: February 7, 2018  
Item No.: 7  
Resolution: No Resolution  
associated with policy**

**Subject:** Delinquent Accounts and Collections Policy

**Policies:**

Delinquent Accounts:

Pursuant to Electric Rules 8 and 11, Pacific Gas & Electric (PG&E) uses the following process to determine past due accounts and the necessary action:

Residential Accounts		Non-Residential Accounts	
Day 1 - Issuance of Bill	Customer Receives Bill	Day 1 - Issuance of Bill	Customer Receives Bill
Day 22	Past Due	Day 18	Past Due
Day 27 - 33	15 Day Notice on Next Bill	Day 21	7 Day Notice Delivered
Day 41-47	48 Hour Notice via Mail	Day 29	24 Hour Phone Call or In Person Notice
Day 45 - 51	24 Hour Phone Call or In Person Notice	Day 32	Account is Eligible for Disconnection
Day 50-56	Account is Eligible for Disconnection		

Aging Accounts:

All EBCE accounts, whether Residential or Non-Residential, identified in the month aging accounts receivable report, as provided by PG&E, with outstanding balances over 90 days or more are eligible to be returned to PG&E.

EBCE Residential customer accounts exceeding \$250 in charges overdue for more than 90 days will be sent a late payment notification by EBCE. The customer will be provided 60 days to pay or make payment arrangements. If payment in full is not received within 60 days from the date of notification, or the terms of an activated payment arrangement are not fulfilled, the EBCE customer account may be closed and returned to PG&E bundled generation service on the next account meter read date. Residential customers returned to PG&E will be charged the applicable EBCE opt-out fee.

EBCE Non-Residential customer accounts exceeding \$500 in aggregate in unpaid charges for 60 days or more will be sent a late payment notification by EBCE. The customer will be provided 30 days to pay or make payment arrangements. If payment in full is not received within 30 days of the date of notification, or the terms of an activated payment arrangement are not fulfilled, the EBCE customer account may be closed and returned to PG&E bundled generation service on the next account meter read date. Non-residential customers returned to PG&E will be charged the applicable EBCE opt-out fee.

Collections:

Closed East Bay Community Energy accounts with overdue amounts greater than \$100 may be referred to a collection agency. Amounts \$100 or less may be written off. PG&E may close customer accounts before payment delinquencies bring them to the attention of EBCE operations. When PG&E closes customer accounts, these accounts are also closed in the EBCE program. In these cases, the thresholds outlined in the preceding paragraphs apply in either referring closed accounts to collections or writing off balances.