

Los Angeles  Department of Water & Power

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MARCIE L. EDWARDS
General Manager

October 8, 2014

The Honorable City Council
c/o Office of the City Clerk
Room 395, City Hall
Mail Stop 160

Attention: Councilmember Felipe Fuentes
Chair, Energy and Environment Committee

Honorable Members:

Subject: Los Angeles City Council Motion No. 14-0959-S1 on the Los Angeles Department of Water and Power's (LADWP) Feasibility of a Paperless Billing Incentive Program

This is in response to City Council Motion No. 14-0959-S1, dated August 26, 2014, regarding a report on the feasibility of a paperless billing incentive program in order to facilitate customer service, reduce operational costs, and preserve the environment.

Paperless Billing Background and Current Status

In 2009, LADWP launched a paperless billing offering for customers. This program allowed customers to receive e-mail notifications when bills and other documents are available, rather than receiving them by mail. This provided customers with the following benefits:

- Cost savings with reduced postage,
- Time savings with quick access to online account and payment options,
- Natural resource savings with reduced paper usage,
- Increased security of account information,
- Timely notification of bills and notices, and
- Convenience of electronic files for easy record-keeping.

Based on an initial customer adoption of less than 5 percent, LADWP reviewed the enrollment process and facilitated by including a paperless status at log-in, and providing a one-click enrollment process. These improvements led to a 90 percent

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boost in participation over the past two years, which brought participation levels to 9 percent.

To enroll in the program, the customers must have an online account at ladwp.com, which ensures that they have the ability to view the bill. Once enrolled, the customers receive an e-mail notifying them that their bill is available at ladwp.com, and provides the bill amount due.

The following are the current metrics related to paperless billing participation levels:

Paperless Billing Participation

- Customers Participating in Paperless Billing: 135,000
 - Percent of Active Accounts: 9
 - Percent of Online Users: 17
- Utility Industry Average Participation Level Percentage: 16

LADWP-Related Operational Metrics

- Total Active Accounts: 1.57 million
- Active Ladwp.com Users: 787,000
- Bills Mailed Daily: 40,000
- Cost per Bill Mailed: \$ 0.70
- Cost per Payment Remitted: \$ 0.50

Feasibility of Paperless Promotion

Given that LADWP is significantly below the utility-industry average for customer participation in paperless billing, LADWP is initiating the following activities to increase customer awareness of this option:

1. Bill communications that will include:
 - a. Bill insert that describes the program (commenced in September 2014)
 - b. New message on the bill envelope encouraging paper savings through paperless participation
 - c. New message on the remittance envelope encouraging cost savings through paperless participation, and
 - d. New message in the new customer welcome letter to raise paperless awareness.

2. Website communications that will include:
 - a. Ladwp.com home page and customer service page spotlight to increase program awareness, and
 - b. Paperless default for new online customer applications to increase initial customer consideration.
3. In-Person communications that will include flyers and palm cards for service centers and customers to increase awareness.
4. Telephone communications that will include:
 - a. On-hold message encouraging time savings through online usage and paperless participation, and
 - b. Customer Service Representative message during the conclusion of calls to increase program awareness.

To increase customer participation in paperless billing based on these awareness activities, the LADWP is evaluating the ability to provide customers with an incentive to participate in paperless billing. The incentive parameters being evaluated consist of:

- Providing customers with a \$10-bill credit for enrolling in paperless billing, and
- Requiring participating customers to remain on paperless billing for at least 12 months.

The incentive program would be heavily promoted across all customer communication channels for a one-year period. The goals of the incentive would be:

- Customer Participation:
 - 95,000 New Customer Enrollments
 - 230,000 Total Customer Enrollments
 - 15 percent of Active Accounts on Paperless
- Operational Savings:
 - Incentive Based Savings:
 - \$685,000 additional annual cost savings
 - 564,000 less bills mailed
 - 1.4 year payback, based on incentive cost of \$950,000, or \$10 per targeted new enrollment
 - Total Paperless Billing Based Annual Savings
 - \$1,656,000 operational cost savings
 - 1,374,000 bills not mailed
 - 4 million sheets of paper saved

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To implement this incentive program, the LADWP is currently evaluating the effort required for its billing system to apply the incentive to participants' bills. In addition, it is engaging with the City Attorney's Office to verify the LADWP's ability to offer the program, and to determine the appropriate terms and conditions to deploy the program. Once these elements are determined to be feasible, the LADWP will submit a request to the Board of Water and Power Commissioners to approve the implementation of the incentive.

If you have any questions or require further information, please call me at (213) 367-1338, or you may have your staff contact Ms. Winifred J. Yancy, Director of Intergovernmental Affairs and Community Relations, at (213) 367-0025.

Sincerely,



Marcie L. Edwards
General Manager

GAR:st/ps

c: The Honorable Bob Blumenfield, Vice-Chair, Energy and Environment Committee
The Honorable Jose Huizar, Member, Energy and Environment Committee
The Honorable Paul Koretz, Member, Energy and Environment Committee
The Honorable Tom LaBonge, Member, Energy and Environment Committee
Board of Water and Power Commissioners
Ms. Winifred J. Yancy

14-0959-S1

MOTION

The Department of Water and Power (DWP) approved an amendment to its existing contract with Staples, Inc. for the purchase of paper that is compatible with its bill printing system. The amendment consists of four one-year options and increases the expenditure limit by \$6,995,044 to \$10,451,419. Under the terms of the amendment, the contract expires on June 16, 2018.


The DWP could realize significant savings in its operational budget if it created an incentive for customers to increase their use of the Department's paperless billing system. The incentive could be supported by the savings generated through the reduction in paper use and mail costs.


The formation of a DWP paperless billing incentive program would also help the City increase its environmental sustainability objectives.

The Department should pursue the implementation of this program in order to meet a variety of beneficial objectives.

I THEREFORE MOVE that the Department of Water and Power (DWP) be requested to report in 30 days on the feasibility of creating a paperless billing incentive program for the Department's customers in order to facilitate customer service, reduce operational costs and preserve the environment.

PRESENTED BY:


BOB BLUMENFIELD
Councilmember, 3rd District


PAUL KORETZ
Councilmember, 5th District

ORIGINAL

SECONDED BY:




JUN 26 2014