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THE POWER TO KNOW.

■ **Challenges**

- **Data access issues.** Utilities often are unable to access the internal and external data needed to enhance market segmentations for determining optimal deposit amount, different payment terms or treatment plans.

- **Insufficient information sharing.** There's often no way to distribute information efficiently throughout all customer-facing business functions and credit systems (e.g., field operators, account servicing and collections).

- **Lack of proactive billing techniques.** Insufficient in-house data sharing makes it hard for departments to establish level-pay plans that align with customers' ability to pay across seasons.

- **Data omissions.** Many utilities have no plans to add data from smart metering systems to bill collection optimization analysis models.

- **Information gaps.** Utilities often are unequipped to analyze external factors affecting bills and payments – e.g., extremely hot weather and bill cycles out of sync with traditional wage schedules may increase inability to pay.

How can we use data mining and forecasting to improve collections at utilities?

YOUR GOAL: Maximize recovery outcomes

Every year energy and utility companies write off millions in bad debt caused by customers who don't pay their bills. Some utilities pass those bad debts along as additional costs to rate payers who *do* pay their bills. For others, the losses are absorbed by the company's shareholders. Utilities are facing increasing pressure from shareholders and regulators alike to minimize those losses, while continuing to provide services to consumers who are not likely to pay.

Because electricity is considered a basic necessity, regulatory bodies require utilities to be more proactive with customers before disconnecting services, and they often won't allow utilities to roll bad debts into the rate structure, which can affect shareholder value, the balance sheet and credit rating. Despite being increasingly in a position where they cannot turn away customers who may not pay their bills, utilities face substantial negative results if nothing is done. It is becoming a real necessity to identify and predict when customers may have trouble paying their bills and then develop plans for helping those customers keep their accounts current – e.g., increasing the intensity of treatment plans for high-risk customers or heavily promoting energy efficiency and enrollment in DSM programs for low-income customers.

OUR APPROACH

Collections optimization can increase the ability of utilities to collect from problem payers before disconnection must occur using business rules to help ensure reasonable care is demonstrated for regulatory compliance purposes. We approach the problem by delivering software and services to help you:

- **Gain an in-depth knowledge of customers and their behavior** by bringing together all relevant data – both internal (e.g., from call centers, the Web, payment history, etc.) and external (e.g., from credit reports, demographic studies, etc.).

- **Understand customer payment abilities, and tailor programs to optimize collections** – taking into account regulatory reasonable care demands – by building risk scores for all customers based on credit ratings, usage patterns and payment history.

- **Proactively engage with customers *before* problems emerge** by using predictive analytics and "what-if" scenarios to test and optimize treatment strategies and ensure that only treatments suitable for particular customers are implemented at the least cost possible.

- **Optimize workforce constraints** using advanced optimization techniques to prioritize high-risk customers and eligible shutoffs based on risk mitigation objectives.

- **Determine the value of customers and the potential financial risk they represent** by measuring each customer's value at risk (VaR) using current and predicted future debt and probability of default, then use that information to improve the availability of money to help fund operations, strengthen investments or augment cash flow.

In addition, the SAS solution enables you to reduce bad debt write-offs significantly, which lets you quickly realize a return on your investment.

THE SAS® DIFFERENCE: Optimizing collections and fighting fraud

Only SAS brings together data management, analytics and reporting in a framework that lets you manage customer debt more efficiently and effectively. There is no need for complex technological handoffs or workarounds to make different systems work together. Because SAS is not a black-box technology, users are not limited to a pre-defined list of data or analytics processes. With SAS, you get:

- **Domain expertise.** From taxes to telecommunications services, SAS has worked with customers across industries for more than 34 years to improve collections and optimize returns by combining robust data and analytical tools with best-practice understanding, insight and analytical approaches.

- **Superior data management.** SAS eases access to standard, trusted data regardless of computing platform or location.

- **Business analytics.** SAS provides award-winning analytics and reporting to get the most out of your utility data, so you can make businesses decisions about customers and their associated risk and value based on the facts.

- **Rapid ROI.** SAS offers proven implementation plans that can get you up and running in months, enabling you to perform smarter analyses faster than market competitors to develop new customer strategies.

With SAS, you also have the flexibility to implement the solution in phases, starting where your needs are greatest and adding on over time as your needs change.

CASE STUDY: A large East Coast utility

■ Situation

The utility, which serves the New England states, has some of the highest electric rates in the US and can no longer raise rates. As a result, the company was looking for opportunities to increase collections efficiencies and recover lost profits through enterprise analytics.

■ Solution

SAS drew on its expertise in credit scoring and bad debt modeling in other industries to develop a solution that will:

- Help determine which factors predict whether customers will pay their bills.

- Assign a score to the customer base that will direct the utility in its actions to deter the possibility of being left with bad debt.

- Extend the initial scoring model into other analytic areas, such as forecasting, segmentation and profitability down the road.

- Help construct a theft of service (fraud) model to profile usage patterns to identify abnormal usage for further investigation.

■ Results

- The utility expects the solution to reduce the more than $100 million in bad debt that is traditionally paid for by increased rates for other customers.

■ What if you could ...

Maximize collection returns
What if you could assess potential problems before they occur and correctly identify bad debts so collections agencies could maximize collection returns?

Proactively address potential issues
What if you could receive proactive notifications when a customer's usage pattern has changed in a way that may affect their ability to pay and have customer-friendly plans ready for payment workouts?

Reduce bad-debt write-offs
What if you could reduce the under/over of reserves for bad debt write-offs as well as increase the accuracy of forecasted allowances needed for bad debt?

Take into account reasonable care demands
What if you could predict the likelihood that a customer would reconnect or default?

■ You can. SAS gives you THE POWER TO KNOW®.

SAS FACTS

- SAS has been in business since 1976 and today has customers at more than 45,000 sites worldwide, including 92 of the top 100 companies on the 2009 FORTUNE Global 500®.

- SAS works with more than 500 energy customers worldwide, including 160 North American investor-owned utilities.

- SAS has been named a leader among nine vendors in *The Forrester Wave™: Predictive Analytics and Data Mining Solutions, Q1 2010.*

Learn more about SAS software and services for utilities at:
www.sas.com/industry/energy/

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