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STATE OF HAWAII  
DEPARTMENT OF ACCOUNTING  
AND GENERAL SERVICES

P. O. BOX 119  
HONOLULU, HAWAII 96810-0119

November 2, 1983

MEMORANDUM NO. 1983-33

TO: Heads of Departments and Agencies

FROM: Hideo Murakami, Comptroller

SUBJECT: Hawaiian Electric Company, Inc.'s New Payment Policy

Attached to this memorandum is a letter that has been received from Hawaiian Electric Company, Inc. regarding its new payment policy. As the letter indicates, a presentation was recently made by Hawaiian Electric to representatives of State departments and agencies, and the attached letter is a summary documentation of the information presented at the meeting.

Hawaiian Electric's new payment policy is not consistent with the State's general policy for making payment to contractors and other vendors. The State's policy has been based on the generally accepted business practice of making payment within 30 days unless offered discounts justify earlier payment. As further described in Section 563 of the Accounting Manual (Volume II), departments and agencies have been allowed a maximum of 10 working days (from the time satisfactory delivery was made or a proper invoice was received, whichever was later) in which to submit a payment voucher to our Pre-Audit Branch for payment processing. Another 10 working days have then been allowed for payment processing to assure meeting the general business standard of 30 calendar days.

Departments and agencies remain responsible for submitting their payment vouchers in sufficient time to allow 10 working days for payment processing in this department (which includes pre-audit, error correction when necessary, recording in the accounting system, preparation and issuance of the warrant (check) itself, and mailing). Therefore, the only means by which a department or agency can assure Hawaiian Electric will not terminate service under its new payment policy will be to process Hawaiian Electric invoices immediately, without taking the full 10 working days allowed under State policy. All employees in any way involved with handling Hawaiian Electric invoices in your department or agency should be given special notice of the importance of handling the invoices promptly.

Your department or agency should review the matter discussed in Hawaiian Electric's letter on page 2, in the next-to-last paragraph. If you now have accounts being billed on a weekly statement, you should consider (as urged by Hawaiian Electric) requesting that the accounts be billed individually and issued on a daily basis.

Your department or agency should also consider having all payments mailed from this department, rather than returned to your department or agency as is sometimes requested. Returning the payments to your department or agency necessarily adds to the time before which they reach Hawaiian Electric.

Another possible aid in assuring prompt payment of Hawaiian Electric's invoices might be vouchering them separately on your computer-prepared vouchers, so that errors in other payments would not delay a error-free payment to Hawaiian Electric. Of course, the potential of this suggestion's helpfulness depends on other processing factors that vary from department to department.

Your vouchers for payment to Hawaiian Electric should not be submitted with red-tags for priority payment. The volume of payments to Hawaiian Electric is too high for such priority treatment, and payment of a recurring utility charge should be manageable without priority processing since it can be anticipated each month. With appropriate attention to this matter when Hawaiian Electric invoices are initially received by your department or agency, sufficiently prompt payment should be feasible without causing undue hardship under Hawaiian Electric's new payment policy.

  
HIDEO MURAKAMI  
Comptroller

Attch.

HAWAIIAN ELECTRIC COMPANY, INC.

Box 2750 Honolulu, Hawaii 96840



October 20, 1983

Mr. Hideo Murakami, Director  
Department of Accounting and General Services  
P. O. Box 119  
Honolulu, Hawaii 96810

Dear Mr. Murakami:

On October 14 we held a meeting with representatives of several state agencies who have, in common, an involvement in paying bills. The purpose of the meeting was to inform them of the necessity of having HECO's bills paid before they become past due and of steps we're going to implement if that isn't done. It was suggested at the meeting that I write to you to assure that you're aware of the forthcoming policy changes. I should note that a member of your staff, Mr. Elias Matthews, was at the meeting.

Our rules, which are set by the Public Utilities Commission, state that bills are due upon presentation and past due 15 days thereafter. They further state that service can be terminated for failure to pay once the account is past due provided five days' prior notification is given.

The new HECO rates which became effective on September 27, 1983 are structured such that we are compelled to more strongly enforce these rules. While our policies will become tighter for all customers who are delinquent, the heaviest impact will be on large, demand metered accounts.

The procedures for these accounts will be as follows:

- Day 1 - Bill is printed.
- Day 15 - If the current bill and/or previous bill(s) is not paid, a disconnection notice will be mailed to the recipient of the bill.
- Day 25 - If not paid, we will attempt to make telephone or personal contact but cannot guarantee this.

Mr. Hideo Murakami  
Page 2

October 20, 1983

Day 28 - If not paid, service will be subject to termination. If the service location serves the public or in some way poses a safety threat without power, we will post notices of the forthcoming termination of service at least one day in advance thereof.

It should be noted that the above days are approximate and will vary due to weekends and holidays. Also, the total days allowed from presentation of bill to termination of service exceeds that specified in the rules to allow for mailing and internal processing.

Two exceptions to the above procedures need to be noted. The first is that there are certain types of service that we feel cannot be terminated. These are those affecting national defense, public safety and public health. However, we expect those to be paid in the same timeframe and will seek legal relief if that isn't done. The other exception is that we sometime delay rendering the bill due to billing or clerical problems. If we do not present the bill to the post office within five work days of when it was printed, we will remove that account from the procedures described above for that month.

At the meeting there was discussion of our practice of presenting many state agency bills on a weekly statement. In so doing the earliest billing of the week is automatically delayed five work days. The question raised is when does the "clock" begin counting the days cited above. Our stance is that the weekly statement is primarily a convenience to the customer and that we cannot absorb the expense related to delaying the bill those days. Thus the clock starts the day the bill is printed. We strongly urge each agency to review the processing of their payments to see if the statement is worth the delay. We're open to suggestions as to how the bills can best be rendered daily but suggest that the statements be eliminated.

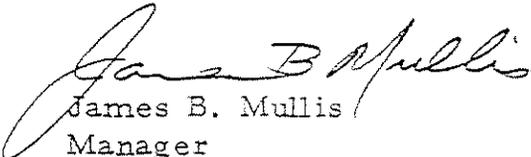
During October we are notifying our customers of these changes. For November's billing the changes will be in effect but we won't actually terminate service 28 days after billing. Rather, we will notify customers that this is the time when it will be terminated in subsequent months. Thus the program actually begins with December's billing. Given the 28-day lag, accounts won't face termination until late December.

Mr. Hideo Murakami  
Page 3

October 20, 1983

Mr. Murakami, I hope this matter is clear and that all state agencies can comply relatively easily. If you have any questions or wish to discuss this further, please write or call me.

Sincerely,

  
James B. Mullis  
Manager  
Customer Service Department

cc: Ms. Sue Nakama  
Department of Land and Resources