

Treasury Management

CUSTOMER SUCCESS

SMART DECISION® SERVICE HELPS LUBBOCK POWER & LIGHT SAVE \$71,000 IN ONE YEAR

COSTLY PAPER CHECK PROCESSING

Lubbock Power & Light, a municipally owned entity of the City of Lubbock, Texas, serves more than 100,000 customers. LP&L processes 45,000 consumer check payments a month, receiving checks through the mail, in drop boxes, or over the counter at its offices.

To deposit checks each day, the utility used costly, time-intensive methods involving a lot of paper and people. For example, staff manually sorted, bundled, batched, and bagged checks so a courier could take them to the bank. The process often required employee overtime to meet deposit deadlines.

In addition, check image capture and endorsement took place in-house on outmoded equipment. A staff member also ran a calculator tape on all the checks. Ribbons, paper, microfilm, and tape, among other items, were needed.

Staff overtime expenses, along with supplies and equipment maintenance contracts, cost the utility nearly \$44,000 a year, according to Dana Box, LP&L's customer service manager.

Looking to reduce expenses and create efficiencies by processing checks electronically, LP&L turned to Wells Fargo for a solution.

"We have experienced improved availability of funds. ... This allows us to invest more quickly. Even in this market, we have increased interest earnings simply because we're processing at a faster rate."

—Dana Box,
customer service manager,
Lubbock Power & Light

EFFICIENT ACH CHECK CONVERSION

In April 2008, to make more cost-effective, streamlined deposits, LP&L invested in high-speed check scanning equipment and began using the *Smart Decision* service from Wells Fargo to take advantage of optimized ACH check conversion.

Here's how it works: LP&L notifies its customers in advance about ACH check conversion through posted and mailed notices. After receiving check payments and capturing images,

LP&L creates an electronic deposit file, which it sends directly to Wells Fargo several times throughout the day using the *Wells Fargo Electronic Deposit*SM service—no more paper check deposits.

The Smart Decision service automatically identifies eligible checks and converts them to ACH debits. Checks not eligible for ACH conversion are processed electronically via image exchange or as substitute checks under Check 21 rules.

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On average, about 80 percent of LP&L's check payments are converted to ACH debits. The utility is benefiting from improved cash flow from faster access to deposited funds, accelerated returned-item notification, and lower costs.

\$71,000 SAVINGS IN ONE YEAR

In addition to the \$44,000 LP&L now saves from reduced processing and handling costs, Box says it has also saved more than \$27,000 as a result of reduced float and fewer returned checks.

“We have experienced improved availability of funds,” Box says. “We went from four days’ float down to a day on the bulk of our money, and we went to same day on all of our Wells Fargo money. This allows us to invest more quickly. Even in this market, we have increased interest earnings simply because we’re processing at a faster rate.”

LP&L has reduced the number of returned checks by 72 percent. Because ACH-converted debits clear more quickly than paper checks, the utility now has quicker access to information about returned items, helping it reduce losses from those items.

“We are very, very happy,” Box says. “We went from a 12-step process to a process with significantly fewer steps. We also reallocated staff to more meaningful projects, which allows us to do more with less. Wells Fargo’s *Smart Decision* service has been extremely beneficial to us.”



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