



Red Flags Compliance

How It Has Changed Customer Policies & Procedures

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Nashville Electric Service

- **NES among 12 largest public electric utilities in U.S.**
- **Approximately 357,000 customers over 700 square miles**
- **Serves Nashville, Tenn., and portions of 6 surrounding counties**
- **Approximately 1,000 employees**

Surprised by a federal law

- **NES has lobbyists & lawyers who monitor local, state and federal laws that could affect us**
- **Typically have long advance notice of proposed legislation**
- **Learned about a year ago that utilities must comply with FACT Act of 2003**
- **Deadline for compliance has been extended several times**

What is the FACT Act (Red Flags) Law?

- **Fair & Accurate Credit Transaction (FACT) Act**
- **Passed by Congress and enforced by the Federal Trade Commission (FTC)**
- **Utilities #3 on the list of favorite places for ID thieves to troll for information (behind only credit card & cell phone companies)**
- **Red Flag – a pattern, practice or specific activity that triggers belief that identify theft has occurred**
- **26 specific “flags” included in law**

Swing into action

- **Notified Exec. Mgt. of federal guidelines**
- **Shoot the messenger – I was appointed Privacy Officer**
- **Formed internal committee**
- **Attended training**
- **Hired outside legal counsel**
- **Drafted policy (approved by board Oct. 2008)**
- **Added policy to official Policy Manual**

NES committee make-up

Privacy Officer (VP Customer Care)

- **Mgr. Facilities & Security**

- **Mgr. Accounting**

- **Paralegal**

- **Strategic Applications Software Tech**

- **Trainer (Customer Relations)**

- **VP Human Resources**

Immediate actions taken by committee

- Reviewed NES policies & procedures & compared to Red Flags guidelines
- Legal dept. reviewed vendor & contractor contracts to be sure safeguards in place to provide protection of confidential customer data
- Added a laptop computer security policy
- Removed SS & banking #s from many computer screens
- Investigated CSR internet access

Immediate actions cont.

- Investigated off-site storage procedure for back-up files
- Investigated back-door access to controlled information
- Investigated outside access to controlled information
- Examined existing trash disposal process
- Reviewed areas where confidential information is stored

Immediate actions cont.

- **Contracted with document mgt. service to dispose of papers containing confidential information**
- **Required all employees with access to confidential information to sign confidentiality statement**
- **Removed ring-down phones in customer lobbies**
- **Placed privacy screens on all customer service computers**

Long-term actions & effects

- Previously, took customers' word when calling to sign up for service or request info on acct
- Decision made to contract with CRA to provide identity checks, as well as credit checks
- CRA contract process painfully slow; signed contract July 09 that includes all Metro Nashville government agencies that must comply with Red Flags rules

Long-term actions & effects cont.

- **Expensive – NES estimated cost nearly \$600,000 for 5 years**
- **New accts (requiring both credit & identity checks) = 4,500 annually**
- **Changes/questions on active accts (requiring either identity or credit check, but not both) = 4,200 annually**
- **Does not include turn-off orders & automatic turn-ons for apartment complexes**

Long-term actions & effects cont.

- **Red Flags compliance peaked the interest of Internal Audit**
- **As a part of an internal audit on the revenue cycle, Internal Audit recommended to the Audit & Ethics Committee of the NES board that a review of mainframe security rights be undertaken**
- **Review still underway**

Training

- **Compiled list of about 100 employees who need Red Flags training**
- **Training scheduled for October 09**
- **Training conducted by in-house trainer; will include training on how to use CRA info**
- **Follow Red Flag procedures on how much training and to whom**

Other considerations

- NES elected not to do a “scrub” of records
- NES elected not to put details about the length and frequency of training in official policy



Thank You

