

ITEM NO. CA12

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 24, 2009**

REGULAR CONSENT EFFECTIVE DATE January 1, 2010

DATE: November 17, 2009

TO: Public Utility Commission

FROM: Ming Peng

THROUGH: Lee Sparling, Marc Hellman, and Steve Storm

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF: (Docket No. UM 779)
Commission determination of late-payment rate and interest accrued on customer deposits.

STAFF RECOMMENDATION

Staff recommends no change to the current maximum late-payment rate of 1.5 percent monthly, which is equivalent to an Annual Percentage Rate (APR) of 18.0 percent, for calendar year 2010. The late-payment rate is the percentage of a customer's past due balance utilities may charge customers having overdue accounts. Staff also recommends that, beginning January 1, 2010, the annualized interest rate at which utilities must credit customers for deposits be reduced to 0.5 percent from the current 1.5 percent.

DISCUSSION

Late-Payment Rate: Oregon Administrative Rules (OAR) 860-021-0126(3), 860-036-0130(1), and 860-037-0115(2) specify that the Commission will determine the late-payment rate based on a survey of prevailing market rates for late-payment charges of commercial enterprises and will advise all energy, large telecommunications, water, and wastewater utilities of the changes in the maximum rate they may use to determine late-payment charges on overdue customer accounts as needed. The current late-payment rate and the conditions for its application to customer accounts shall be specified on the utility bill.

Late-Payment Rate for Small Telecommunications Utilities: Commission Order No. 09-157,¹ effective May 4, 2009, amended OAR 860-034-0120, which pertains to late-payment charges for small telecommunications utilities. The Order states “(t)he amendments to OAR 860-034-0120 are necessary because for the subject companies, an increase in the late-payment charge falls within the scope of OAR 860-034-0310, and is not determined by the Commission, as it is for the large telecommunications utilities.” The Order also amended OAR 860-034-0310, which pertains to announcements of rate increases by small telecommunications utilities.

2009 Staff Market Survey: Staff recently surveyed over 30 commercial enterprises believed to be reasonably representative of the range of businesses likely to be patronized by utility customers. The survey included department stores and retailers of gasoline, household appliances, furniture, clothing, tires, hardware, consumer electronics, toys, books, office supplies, home improvement products and services, and other general merchandise. The survey also included providers of water and sewer services, recycling and disposal services, electricity and telecommunications services, passenger rail and airline travel, and insurance companies.

Most businesses (commercial enterprises) surveyed charge a flat fee for late payments (for example, \$10 up to \$39) in addition to a finance charge of 1.0 percent to 2.2 percent per month. Some publicly owned utilities (water/sewer and electricity) and insurance companies do not charge a late-payment fee. Past due accounts are subject to cancellation of the services or policies.

Many utility companies in other jurisdictions establish a monthly percentage rate for determining late-payment fees such that the cost of not paying a utility bill is roughly equal to the cost of not paying a credit card. Staff recommends no change in the current maximum late-payment charge of 1.5 percent monthly. This rate is reasonably consistent with the practices of commercial enterprises based on the results of Staff’s survey.

Interest Paid on Customer Deposits: OAR 860-021-0210(1), 860-034-0160(1), 860-036-0050(1), and 860-037-0045(1) specify that the Commission is to establish an annual interest rate that must be paid on customer deposits. The Commission will base the rate upon consideration of the effective interest rate for new issues of one-year Treasury Bills issued during the last week of October, the interest rate on the most recent issuance of one-year Treasury Bills, or the effective interest rate for the average yield of Treasury Bills of the closest term issued during the last week of October. This interest rate, rounded to the nearest one-half of one percent, shall apply to deposits held during January 1 through December 31 of the subsequent year. The Commission

¹ See Order No. 09-157 at <http://apps.puc.state.or.us/orders/2009ords/09-157.pdf> .

will advise all energy, large telecommunications, water, and wastewater utilities of the changes in the rate to be paid on customer deposits held as needed.

There were no new issues of one-year Treasury bills issued during the last week of October 2009. Staff used the average yields of Treasury bills of the closest term issued during the last week of October. From October 26 to 30, 2009, *The Wall Street Journal* reported that the Treasury bill maturing on October 21, 2010, (355-359 days to maturity) had asking yields averaging 0.3752 percent. As specified in the administrative rules, Staff rounded this effective interest rate to 0.5 percent.

PROPOSED COMMISSION MOTION

Staff's recommendation to continue the current maximum late-payment rate of 1.5 percent monthly on overdue customer accounts and to reduce the annual interest rate on customer deposits to 0.5 percent, for calendar year 2010, be adopted.