


PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: June 7, 2016

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE June 8, 2016

DATE: May 19, 2016

TO: Public Utility Commission

FROM: Ming Peng 

THROUGH: Jason Eisdorfer and Marc Hellman 

SUBJECT: NORTHWEST NATURAL: (Docket No ADV 290/Advice No. 16-04)  
Application to add language to Schedule C to reference the waiver,  
granted by Commission Order No. 00-267 from OAR 860-021-0126, which  
allows NWN to charge a \$3 minimum late payment charge on amounts  
between \$50-\$200.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Northwest Natural Gas Company's (NW Natural or Company) application for its waiver of OAR 860-021-0126(3) to be continued, which in turn allows NWN to apply a \$3 minimum late charge on past due amounts between \$50 and \$200, subject to the following reporting requirement:

NW Natural will submit a report every three years, starting from the date of the Commission's order adopting Staff's memorandum, demonstrating that its \$3 minimum late payment charge on past due amounts between \$50 and \$200 is cost-effective and beneficial to both the Company and to its customers. The report should analyze and discuss the effects of the \$3 minimum late payment charge including whether: (1) the \$3 late payment charge provides an incentive for customers to make timely payments; (2) the customer incentive improves the Company's cash flow; (3) the customer incentive improves the Company's credit and collection efficiencies; and (4) the customer incentive reduces the Company's bad debt expense.

**DISCUSSION:**

**Applicable Law related to Late-Payment Charge**

Oregon Administrative Rules (OAR) - Public Utility Commission Division 21- Utility Regulation, OAR 860-021-0126, Late-Payment Charge, states:

(1) Except as provided in section (2) of this rule, an energy or large telecommunications utility may apply a late-payment charge to customer accounts not paid in full each month, provided the utility has filed the late-payment charge in its rate schedule.

(2) An energy utility shall not impose late-payment charges on residential customers unless:

(a) The energy utility offers residential customers a preferred billing date option under which the customer can select or change a bill date. Utilities shall not be required to change a customer's bill date more than once in any 12-month period;

(b) The energy utility's rate schedule provides that the late charge is not applied on residential balances less than \$200; or

(c) The charge is applied only to amounts carried forward for two consecutive months.

(3) The charge will be based on a monthly late-payment rate applied to overdue account balances at the time of preparing the subsequent month's bill for residential accounts or by the bill due date for all other accounts. The late-payment charge may not be applied to time-payment or equal-payment accounts that are current. 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 utilities of the changes in the 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 energy or large telecommunications utility bill.

In its Order 00-267, dated May 23, 2000, the Commission adopted Staff's recommendation to grant the Company a waiver from OAR 860-021-0126(3), thereby allowing the Company to assess a \$3 minimum late charge on customer past due balances between \$50 and \$200. The Commission granted the waiver based upon Staff's conclusion at the time that the \$3 late payment charge would encourage timely payment by customers of their bills, thereby potentially reducing the Company's

collection-related costs. The Commission did not place any conditions or time restrictions on the waiver and it continues to the present time.

### **Background**

On May 1, 2000, the Company filed its Advice No. 00-6 with the Commission. In its Advice Filing, NWN proposed a change to Schedule C "Miscellaneous Charges and Credits." In its application, the Company states the proposed tariff revision is intended to provide clarity between the \$3 late payment charge stated in its tariff and OAR 860-021-0126(3)'s provision stating the Commission will determine the late payment rate for all utilities. As stated, the Commission approved the Company's filing in its Order No. 00-267.

Almost 16 years later, at Staff's request, the Company filed on May 2, 2016, proposed tariff sheets "to reference the waiver of OAR 860-021-0126(3) granted by the Commission to NW Natural effective June 1, 2000, that allowed for the application of a \$3 minimum late payment charge on past due amounts between \$50 and \$200." NW Natural Application at page 1. The Company's filing included responses to several Staff questions regarding a demonstration of benefits the Company projected would result from the original waiver granted in 2000. Staff requested that the Company show that waiver has resulted in: (1) improved cash flow; (2) improved credit and collection efficiencies; and (3) reduced bad debt expense; and whether these benefits, or a portion thereof, were flowed through to customers.

On May 17, 2016, Staff and NW Natural had a phone conference to clarify some data on its Tariff sheet Schedule C. On May 18, 2016, the Company filed a supplemental filing, along with a request for approval on less than statutory notice, to: (1) revise Sheet C-1 to add the percentage symbol to the 1.8 late charge stated at Sheet C-1; and (2) revise Sheet C-2 to reflect the June 8, 2016 effective date.

### **Analysis**

This filing is the result of a Staff request. While Order No. 00-267 authorized the current NW Natural late payment charge, that order did not place conditions or a time restriction on the NWN's waiver. Given the length of time since that Order, Staff thought it reasonable to investigate whether continuation of the waiver is justified.

For the relevant timeframe, from 2000 to 2016, consistent with OAR 860-021-0126(3), the Commission authorized late-payment rates ranging from 1.5% to 1.8% "based on a survey of prevailing market rates for late-payment charges of commercial enterprises."

Late payment charges are generally designed to serve two purposes: (1) to compensate the utility for expenses incurred as a result of the late payment; and (2) to provide an incentive for households to make timely payments.

As stated, at Staff's request, NW Natural reviewed its residential credit and collections and bad debt expense for the 2009 through 2015 time period. The Company presented its findings in its May 2, 2016 filing. The Company first stated that "There are a number of factors other than late charges that affect cash flow, credit and collection experiences, and bad debt expense; the late charge structure is just one factor. As such, it is difficult to isolate exactly how the Company's late charge impacted its overall credit and collection and bad debt experiences over the years." NW Natural Application at page 2.

The Company then compared its Oregon residential customer data to Washington residential customer data, where the Company has a \$1 minimum late charge. The Company stated that "Because NW Natural's Oregon and Washington service areas are similar in terms of economy and pricing (although Washington residential rates have been consistently lower than Oregon residential rates) any difference in results could be indicative of the effect that the \$3 minimum late charge has had on each of the three named benefits." NW Natural Application at page 3.

NW Natural's analysis shows that "The residential Customers in both states receive a 20-day notice if a bill was not paid by the due date stated on the bill. Table 1 below shows the percentage of residential customer accounts that received a 20-day notice by state. As shown in Table 1, on a percentage basis, there were fewer 20-day notices issued to Oregon customers than were issued to Washington customers, with the exception of 2015, where the percentages are the same between the two states."

Year	Oregon	Washington
2009	5.6%	6.8%
2010	5.0%	5.5%
2011	5.0%	5.6%
2012	4.5%	4.9%
2013	4.3%	4.4%
2014	4.1%	4.3%
2015	3.7%	3.7%

Table 2 below shows the percentage of Oregon residential bills that had late charges applied compared to Washington residential bills.

Year	Oregon	Washington
2009	8.6%	10.2%
2010	8.2%	8.8%
2011	8.2%	9.0%
2012	7.3%	7.8%
2013	7.2%	7.3%
2014	6.8%	7.1%
2015	6.4%	6.5%

NW Natural explained that “As shown in Table 2, in both states the percentage of bills that were assessed late charges has declined since 2009, with Oregon remaining consistently lower than Washington. The Company offers a preferred bill due date option to customers in both states which we believe has also contributed to the decline in late charge assessments.”

Additionally, Staff’s research revealed that from 1994 through 2014, the Commission received 17 complaints from NWN customers about late payment charges based on the Commission’s customer service record. The complaints average less than one per year. Given the number of Oregon customers served by NWN, the level of complaints is very small, and so NW Natural’s imposition of the late charge appears to be reasonably accepted by Oregon customers as not inconsistent with standard business practices.

In reviewing the utility practices, Staff noticed that NW Natural does not print the late charge bill message on those bills if a late charge amount is less than \$50. The Company explains that, because it does not apply a late charge to amounts less than \$50, including a message on a bill that is not subject to a late charge might be confusing to customers.

Staff believes that NW Natural should inform its customers that they will be charged for a \$3 minimum late charge on customer past due balances between \$50 and \$200, and specify the current late-payment rate (%) to all customer accounts on utility bill.

In communications with the Company, it agreed to have its billing systems’ coding revised to include the late bill statement on its bills by hopefully June 1.

### **Conclusion**

Based on Staff's review of NW Natural's filing and a review of the relevant historic Commission data on file, Staff recommends approval of the Company's application with the proposed reporting requirement. In relation to the original waiver request, the Company has demonstrated that the \$3 late-payment charge: (1) improved cash flow; (2) improved credit and collection efficiencies; and (3) reduced bad debt expense. As there were general rate cases after the year 2000, any benefits resulting from the waiver would have been captured and flowed through to customers.

In order to assess the merits of continuing the waiver subsequent to this present Company filing, Staff recommends that the Company be required to file a report with the Commission once every three years showing that the benefits of the late payment charge continue to exist.

The Company also agrees to revise its bills to provide the late payment billing charge on all its bills to customers, regardless of whether the customer billing amount is less than \$50.

The Company has reviewed this memo and voiced no concerns.

### **PROPOSED COMMISSION MOTION:**

Approve NW Natural's tariff filing with less than statutory notice subject to Staff's recommended reporting requirement set forth in its public meeting memorandum and that Schedule C at Sheet C-1 and C-2 filed in Docket No. ADV 290/Advice No. 16-04 become effective with service on and after June 8, 2016.

**NORTHWEST NATURAL GAS COMPANY**

P.U.C. Or. 25

Second Revision of Sheet C-1  
Cancels First Revision of Sheet C-1

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**SCHEDULE C  
MISCELLANEOUS CHARGES AND CREDITS**

**APPLICABLE:**

To all Customers served by the Company under the Tariff of which this Schedule is a part.

**PURPOSE:**

To describe and summarize the charges and credits that may apply to Customers in addition to the rates established in the Rate Schedule or Service Agreement under which Customer receives service. See the DESCRIPTION OF CHARGES provision of this Schedule for specific terms and conditions.

**SUMMARY OF CHARGES and CREDITS:**

Late Payment Charge	1.8% of unpaid balance per payment period, but no less than \$3.00	(T)
Charge for Payment Not Honored (per incident)	\$ 15.00	
<b>Service Reconnection Charges</b>		
Scheduled 8:00 a.m. – 5:00 p.m. Mon.-Fri. (except Holidays)	\$ 30.00	
Scheduled after 5:00 p.m., Mon.-Fri.	\$ 80.00	
Same Day after 5:00 p.m. Mon.-Fri. or on Saturday or on a Holiday	\$100.00	
<b>Service Reconnection Charges – Curtailment Order</b>		
8:00 a.m. - 5:00 p.m. Mon.-Fri. (except Holidays)	\$ 150.00	
After 5:00 p.m. Mon.-Fri. and on weekends or Holidays	\$ 600.00	
<b>Inaccessible Meter Charge – Installation of Shut-off Valve</b>	\$ 250.00	
<b>Field Visit Charge</b>	\$ 20.00	
<b>Meter Interference</b>	Actual costs of damages, repairs and any additional or unusual costs or services directly related to the meter interference, plus the amount of unbilled gas determined to have been lost, plus applicable Service Reconnection Charges.	
<b>Unauthorized Use – failure to comply with Curtailment Order</b>	\$ 10.00 per therm	
<b>CSR Assisted Automated Payment Charge</b>	\$ 2.50 per check	
<b>Summary Billing Charge</b>		
One-time time set up fee, per account	\$ 5.00	
Per account billed per month	\$ 1.00	

(continue to Sheet C-1.1)

Issued May 18, 2016  
NWN OPUC Advice No. 16-04A

Effective with service on  
and after June 8, 2016

**NORTHWEST NATURAL GAS COMPANY**

P.U.C. Or. 25

Third Revision of Sheet C-2  
 Cancels Second Revision of Sheet C-2

**SCHEDULE C  
 MISCELLANEOUS CHARGES AND CREDITS  
 (continued)**

**DESCRIPTION OF CHARGES and CREDITS:**

**Late Payment Charge.** Customer accounts not paid in full each month are subject to a late payment charge. For Residential Customers, the late payment charge will be applied to overdue account balances at the time of preparing the subsequent month's bill. For Non-Residential Customers, the late payment charge will be assessed the day after the due date stated on the bill. The late payment charge will not apply to accounts if the balance is less than \$50.00, or to Equal Pay Plan or Time Payment Plan accounts that are current. The application of the \$3.00 minimum late payment charge shown at Sheet C-1 is in accordance with a waiver of OAR 860-021-0126(3) granted to the Company by the Commission effective June 1, 2000 (See NWN OPUC Advice 00-6 and 00-6A).

(N)  
 (N)  
 (N)

**Charge For Payment Not Honored.** A charge will be applied each time a Customer makes a payment on account that is not honored, for any reason, by a bank or other financial institution.

**Service Reconnection Charges.** A charge will be assessed to restore service to a Customer following a Disconnection of Service under Rule 11, or any other applicable Rule or Schedule of this Tariff, or where service is disconnected and Customer subsequently requests service be restored at the same address within twelve (12) Billing Months of the date of Disconnection of Service, ("Temporary Disconnection").

Before service will be restored, all amounts then due and payable, including the service reconnection charge, and any Customer Charges associated with a Temporary Disconnection must be paid to Company at the Company's offices prior to 6:00 p.m. Monday through Friday, or, upon prior arrangement between Company and Customer, shall be paid to the Company's representative at the time of visit. The service reconnection options are as follows:

Customer Contact with Company	Service Reconnection Options *	Charge
Monday-Thursday 7:00 a.m. to 6:00 p.m.	By 5:00 p.m. of the next day	\$30
	After 5:00 p.m. the next day	\$80
	Same Day after 5:00 p.m.	\$100
Monday-Thursday after 6:00 p.m.	Applicant must call on the next Business Day	
	By 5:00 p.m. of the next day (Saturday)	\$30
	After 5:00 p.m. the next day (Saturday)	\$80
Friday before 3:00 p.m.	Same Day after 5:00 p.m.	\$100
	By 5:00 p.m. of the next Business Day (Monday)	\$30
	After 5:00 p.m. of the next Business Day (Monday)	\$80
Friday 3:00 p.m. to 6:00 p.m.	Friday after 6:00 p.m.	\$100
	Saturday	\$100
	Applicant must call on next Business Day	
Friday after 6:00 p.m.	Applicant must call on next Business Day	

\* The time frame for all service reconnection options is subject to change for any cause not reasonably within the Company's control. If the next day is a state-recognized holiday, then reconnection is scheduled for the next Business Day, or Customer can pay the Reconnection Charge applicable to same day and Saturday and Holiday reconnections.

(continue to Sheet C-3)

Issued May 18, 2016  
 NWN OPUC Advice No. 16-04A

Effective with service on  
 and after June 8, 2016

Issued by: **NORTHWEST NATURAL GAS COMPANY**  
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