

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 23, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE March 1, 2016

DATE: February 11, 2016

TO: Public Utility Commission

FROM: Max St. Brown ^{MSB}

IF

A

THROUGH: Jason Eisdorfer and Marc Hellman

SUBJECT: AVISTA UTILITIES: (Docket No. ADV 201/Advice No. 16-02-G) Revises Rule No. 9 Tariff, allows ability to offer a debit and credit card fee free payment program for residential customers.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Avista Utilities' (Avista or Company)'s proposed revisions to its Rule No. 9 Tariff, thereby providing the Company with the flexibility to offer a fee free payment by debit and credit card program to its residential customers. Staff recommends that the Commission approve the Company's application for Less Than Statutory Notice.

ISSUE:

Should the Commission approve Avista's proposed revisions to its Rule No. 9 Tariff, related to payment methods accepted, in order to allow the ability to offer a debit and credit card fee free payment program for residential customers? Should the Commission approve the Company's application for Less Than Statutory Notice?

APPLICABLE RULES AND LAWS:

ORS 757.205 states "every public utility shall file with and as part of every such schedule all rules and regulations that in any manner affect the regulations that in any manner affect the rates charged or to be charged for any service."

Filings that propose any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the change. See ORS 757.220 and OAR 860-022-0020. Tariff filings to be effective on less than 30 days

following notice of the change may be authorized with a waiver of less than statutory notice pursuant to ORS 757.220 and OAR 860-022-0020.

DISCUSSION AND ANALYSIS:

Background

On January 15, 2016, Avista filed Advice No. 16-02-G, requesting a revision to its Rule No. 9 Tariff to allow the ability to offer a debit and credit card fee free payment program to residential customers. The Company has also filed UM 1759, asking to defer the transaction costs incurred when residential customers use the fee-free program once it is offered to Avista's residential customers. Put simply, the fee free program would change the current model of residential users of debit and credit cards paying the associated fees to a model where the customers pay no direct fees. Instead, the Company will pay the fees, and eventually request recovery in rates such as through the UM 1759 deferral application and later perhaps through base rates.

The Company anticipates enacting its fee free program sometime in the second or third quarter of 2016, but does not have an exact date. This is because Avista must also receive approval from the Washington Utilities & Transportation Commission (WUTC) and Idaho Public Utilities Commission (IPUC) for its Washington and Idaho operations. Avista proposes to participate in MasterCard's and/or other major credit card networks' Utility Pay Programs. MasterCard requires participating utilities to, "accept MasterCard cards as payment in all channels in which you accept credit and debit cards."¹ Thus a state specific program is prohibited. On February 2, 2016, Staff spoke with Avista's representatives via telephone and Avista stated that the fee free program would be adopted in the Company's Washington and Idaho operations.

Staff Review

In conversations with the Company, Staff has discussed both Advice No. 16-02-G and UM 1759. During communications the last few weeks, Staff suggested edits to the Company's filings. The Company was amenable to the changes and made both a Supplemental Filing of Advice No. 16-02-G on February 2, 2016 and a Supplemental Filing of the deferral application in UM 1759 on February 4, 2016. In its Supplemental Filing of Advice No. 16-02-G, the Company adopted Staff's suggested Rule No. 9 Tariff language clarifying that all residential customers would be able to participate in the program once the program was offered to any Avista residential customer.

¹ MasterCard.com, "MasterCard Utility Industry Program." Accessed on February 11, 2016 at: https://www.mastercard.com/us/merchant/pdf/Utility_Industry_Program_Overview.pdf

Staff identified two major issues for consideration in the fee free program. First, what are the benefits of the program? Second, is the program fair and reasonable across the residential customer class? Staff discusses both issues below.

First Issue: What are the benefits of the program?

Avista argues that there will be many benefits of its fee free program; Staff concludes that each of these arguments should be tested with actual data. The Company presents approximately six main benefits of its fee free bank card program. These arguments are presented below.

1. By joining the major card network's Utility Pay Programs, processing costs would be lower.²
2. Customers would call Customer Service less frequently to complain about the requirement to pay a convenience fee for debit or credit card use.³
3. The increase in customers' bills due to the fee free program should be less than the current debit and credit card fee. This results in lower total payments (bill + fee) for customers that pay using debit or credit cards.⁴
4. Beneficiaries can more easily avoid paying fees for using prepaid debit cards from federal programs (for example, social security) and state programs (for example, child support and unemployment compensation).⁵
5. Customer satisfaction will increase because some customers find debit and credit cards to be more convenient than existing, non-fee, payment methods.⁶
6. Customer satisfaction will increase because of the ability to receive debit or credit card loyalty rewards.⁷

While the Company does not explicitly state it, Staff believes another benefit is that customers paying electronically might be more likely to sign up to receive their bill electronically, which would reduce the costs to print and mail bills.

² Advice No. 16-02-G Initial filing at 2.

³ Advice No. 16-02-G, Initial filing at 8.

⁴ Advice No. 16-02-G, Initial filing at 2.

⁵ Advice No. 16-02-G, Initial filing at 5.

⁶ Advice No. 16-02-G, Initial filing at 8.

⁷ Advice No. 16-02-G, Initial filing at 8.

Staff intends to conduct further discovery of Avista's fee free bank card program to hopefully include additional review of the program in Avista's next general rate case (GRC), which Staff anticipates will commence sometime in 2016. Since Avista's fee free program is not implemented yet, it is not clear the review can take place prior to Avista's GRC. In any event, Staff will analyze whatever data is available once the program begins.

Second Issue: Is the program equitable?

For this issue, Staff intends to analyze which type of residential customers use the program. For example, if mostly high-income customers are using the program to earn debit or credit card loyalty rewards that might raise a public policy issue as to whether it is equitable for low-income customers to essentially subsidize higher income customers? Low-income customers do not have an alternative to local distribution electric service provided by the incumbent utility.

Concluding Remarks

Fee free bank card programs have been approved by the Commission twice before. A subset of Northwest Natural Gas customers can pay by debit or credit card for free, as was approved in Order No. 12-437 in the UG 221 rate case. Portland General Electric also has a fee-free credit card program that was approved in Order No. 13-459 in the UE 262 rate case. In that order, the Commission adopted a stipulation agreement for a fee free bank card program. Therefore Staff believes it is reasonable to support Avista's requested tariff change in order to allow the ability to offer a debit and credit card fee free payment program for residential customers. After Avista's program is implemented information of actual use will be available and rate implications will be known for Staff's additional review of the program in Avista's next GRC. Staff also supports Avista's request for Less Than Statutory Notice.

PROPOSED COMMISSION MOTION:

Avista Utilities' proposed revisions to its Rule No. 9 Tariff, related to fees for payment methods accepted, be approved effective March 1, 2016, along with Avista's application for Less Than Statutory Notice.