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BEFORE THE PUBLIC UTILITY COMMISSION**

OF OREGON

UM 779

In the Matter of the Commission's)
Determination of Late-Payment Rate and) ORDER
Interest Accrued on Customer Deposits.)

**DISPOSITION: CURRENT LATE PAYMENT RATE REMAINS IN EFFECT; CUSTOMER DEPOSIT
INTEREST ACCRUAL RATE CHANGED**

At its public meeting on December 5, 2000, the Commission adopted Staff's recommendation that the current 1.5 percent monthly rate which utilities charge customers on overdue accounts remain in effect and that the 5 percent annual rate at which utilities must credit customer deposit accounts be changed to 6 percent. Staff's recommendation is attached as Appendix A and is incorporated by reference.

ORDER

IT IS ORDERED that:

1. The monthly late-payment rate which utilities may charge customers on overdue accounts shall remain at 1.5 percent.
2. Effective January 1, 2001, all customer deposits shall accrue interest at a 6 percent annual rate. Pursuant to OAR 860-021-0210 and OAR 860-034-0160, interest is to be prorated if the deposit is held less than one year. Utilities shall refile their tariffs to reflect the higher rate.
3. These rates shall remain in effect until further notice.

Viki Bailey-Goggins
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 5, 2000**

REGULAR AGENDA X CONSENT AGENDA EFFECTIVE DATE _____

DATE: November 28, 2000

TO: Bill Warren through Marc Hellman and Bryan Conway

FROM: Ming Peng

SUBJECT: UM 779: Commission Determination of Late-Payment Rate and Interest Accrued on Customer Deposits

SUMMARY RECOMMENDATION:

I recommend no change in the current late-payment rate of 1.5% monthly. The late payment rate is the fee utilities may charge customers on overdue accounts. Staff also recommends that, beginning January 1, 2001, the annualized interest rate at which utilities must credit customers for deposits be increased to 6% from the current 5%.

DISCUSSION:

Late Payment Rate: (Oregon Administrative Rules) OAR 860-21-126(3) and OAR 860-34-120(2) specify that the Commission "...will determine the late-payment rate annually based on a survey of prevailing market rates for late-payment charges of commercial enterprises and will advise all utilities, by November 15, of each year what rate they may use to determine the late-payment charges on overdue customer accounts during the following calendar year."

Staff surveyed about fifteen commercial accounts that reasonably represent the general range of businesses likely to be patronized by most utility consumers, such as department stores (including furniture), tire retailers, home improvement warehouses, water and sewer systems, recycling and disposal firms, electricity and telephone companies as well as insurance companies. The survey indicated that a 1.5% monthly rate is applied by a few businesses for late payments. Most businesses, however, charge a flat fee for late payments (for example, \$20.00, which is double the amount charged 6 years ago) in addition to an average finance charge of 1.8% per month. Some publicly owned utilities (water/sewer and electricity) and insurance companies do not charge for late payment. Past due accounts are subject to cancellation of the services or policies.

Staff concludes that the current 1.5% monthly charge for late utility payments is reasonably consistent with the practices of commercial enterprises. An alternative for late payment charge for Commission consideration is to apply an additional \$20 flat fee along with the 1.5% monthly charge. This

alternative appears to be a common practice by most businesses. However, staff does not advocate this alternative because it would represent a significant penalty when the balance due is small.

Interest Paid on Customer Deposits: OAR 860-21-210(1) and OAR 860-34-160(1) state that “unless otherwise specified by the Commission, customer deposits shall accrue interest at a rate based upon the effective interest rates for new issues of one-year Treasury bills issued during the last week of October.” It further directs the Commission to advise all utilities by November 15 of each year what rate will be paid on customer deposits during the following calendar year.

No new issues of 52-week Treasury bills were issued during the last week of October 2000. Therefore, staff used the average yield of Treasury bills during the last week of October. From October 25 to 31, 2000, the Wall Street Journal reported that the Treasury bill maturing on August 30, 2001 (302 - 309 days to maturity) had asking yields that had an average of 6.09%. As specified in the administrative rules, the rate is rounded to 6%.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve a late-payment rate of 1.5% monthly to be applied to overdue customer accounts for the calendar year 2001.

Staff further recommends that customer deposits accrue interest at an annualized six percent (6%) rate during calendar year 2001. Interest is to be prorated if the deposit is held less than one year. Utilities should be directed to refile their tariffs to reflect the higher rate.