

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 779

In the Matter of)
)
Public Utility Commission of Oregon) **ORDER**
Determination of Late-Payment Rate and)
Interest Accrued on Customer Deposits.)

**DISPOSITION: CURRENT LATE PAYMENT RATE CONTINUED;
CUSTOMER DEPOSIT INTEREST ACCRUAL RATE
CHANGED**

At its public meeting on November 21, 2006, the Public Utility Commission of Oregon (Commission) adopted Staff's recommendation that the Commission continue the current maximum 1.7 percent monthly rate which utilities may charge customers on overdue accounts. Staff also recommends that the 4 percent annual rate at which utilities must credit customer deposit accounts be changed to 5 percent. Staff's recommendation is attached as Appendix A and is incorporated by reference.

ORDER

IT IS ORDERED that effective January 1, 2007:

- 1. The monthly late-payment rate which utilities may charge customers on overdue accounts shall continue at 1.7 percent.
- 2. The customer deposit interest accrual rate is changed from 4 percent to 5 percent.
- 3. These rates shall remain in effect until further notice.

Made, entered, and effective NOV 28 2006.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. CA9

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 21, 2006

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2007

DATE: November 9, 2006

TO: Public Utility Commission

FROM: Ming Peng *MP*, *W* *AA* *BAR*

THROUGH: Lee Sparling, Marc Hellman, and Bryan Conway

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 in the current maximum late-payment charge of 1.7% monthly (20.4% Annual Percentage Rate). The late-payment rate is the fee utilities may charge customers on overdue accounts. Staff also recommends that, beginning January 1, 2007, the annualized interest rate at which utilities must credit customers for deposits be changed to 5%, from the current 4%.

DISCUSSION:

Late-Payment Rate: (Oregon Administrative Rules) OAR 860-21-0126(3), 860-34-0120(2), and 860-036-0130(1) 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 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 utility bill."

Staff surveyed 28 commercial accounts that reasonably represent the general range of businesses likely to be patronized by most utility consumers, such as department stores (including furniture), a gasoline dealer, air travel, a tire retailer, a home improvement warehouse, a hardware store, water and sewer systems, recycling and disposal firms, electricity, and telephone companies as well as insurance companies.

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The survey indicated that a maximum monthly rate of 1.7% is applied by a few businesses for late payments. Most businesses (commercial enterprises), however, charge a flat fee for late payments (for example, \$10 up to \$39) in addition to a finance charge of 1.4% to 1.98% 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.

Across the country, many utility companies set the late-payment fees at a certain percentage point per month to ensure 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 1.7% monthly. It is reasonably consistent with the practices of commercial enterprises.

Interest Paid on Customer Deposits: OAR 860-21-0210(1), 860-34-0160(1), and 860-036-0050(1) state that "Each year, the Commission shall 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."

No new issues of 52-week Treasury bills were issued during the last week of October 2006. Staff used the average yields of Treasury bills of the closest term issued during the last week of October. From October 25 to 31, 2006, the Wall Street Journal reported that the Treasury bill maturing on May 3, 2007, (177-183 days to maturity) had asking yields that had an average of 5.148%. As specified in the administrative rules, the annual interest rate is rounded to 5.0%.

PROPOSED COMMISSION MOTION:

Staff's recommendation to continue the current maximum late-payment rate of 1.7% monthly on overdue customer accounts, and change the annual interest rate to 5.0% on customer deposits for the calendar year 2007, be adopted.

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