

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 779

In the Matter of

THE PUBLIC UTILITY COMMISSION
OF OREGON

Commission determination of late-payment
rate and interest accrued on customer
deposits.

ORDER

**DISPOSITION: LATE-PAYMENT RATE INCREASED;
CUSTOMER DEPOSIT INTEREST ACCRUAL RATE
MAINTAINED**

At its public meeting on November 23, 2010, the Public Utility Commission of Oregon (Commission) adopted Staff's recommendation that the Commission change the maximum late-payment rate from the current 1.5 percent to 1.7 percent monthly (alternatively, from an Annual Percentage Rate of 18.0 percent to 20.4 percent) for calendar year 2011. The late-payment rate is the percentage of customer's past due balance utilities may charge customers having overdue accounts. Staff also recommends that the current 0.5 percent annual rate at which utilities must credit customer deposit accounts be maintained. Staff's recommendation, submitted under OARs 860-21-0126(3), 860-036-0130(1), and 860-037-0115(2), is attached as Appendix A and incorporated by reference.

ORDER

IT IS ORDERED that effective January 1, 2011:

1. The monthly late-payment rate which utilities may charge customers on overdue accounts will increase to 1.7 percent.
2. The customer deposit interest accrual rate is maintained at 0.5 percent.

3. These rates will remain in effect until further notice.

Made, entered, and effective DEC 03 2010

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ITEM NO. CA13

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 23, 2010**

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2011

DATE: November 16, 2010

TO: Public Utility Commission

FROM: Ming Peng *MP* *H*

THROUGH: Lee Sparling, Marc Hellman, and Steve Storm *AS*

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 changing the maximum late-payment rate from the current 1.5 percent to 1.7 percent monthly (alternatively, from an Annual Percentage Rate of 18.0 percent to 20.4 percent) for calendar year 2011. 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 the Commission specify that, beginning January 1, 2011, the annualized interest rate at which utilities must credit customers for deposits remain at 0.5 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.

2010 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.

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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 of up to \$35 in addition to a finance charge of 1.1 percent to 2.4 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.

Nationally, many utility companies 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 changing the current maximum late-payment charge from the current 1.5 percent monthly to 1.7 percent for 2011. This rate is reasonably consistent with the practices of commercial enterprises based on the results of Staff's survey.

Interest Paid on Customer Deposits

Oregon Administrative Rules 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 (T-) Bills issued during the last week of October, the interest rate on the most recent issuance of one-year T-Bills, or the effective interest rate for the average yield of T-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 will advise all energy, telecommunications, water, and wastewater utilities of the changes in the rate to be paid on customer deposits held as needed.

No new issuances of one-year T-Bills took place during the last week of October 2010. Staff used the average yields of T-bills of the closest term issued during the last week of October. From October 25 to 29, 2010, *The Wall Street Journal* reported that the T-bill maturing on October 20, 2011 (355 to 359 days to maturity), had asking yields averaging 0.21 percent for the week.

Historically, a one-year T-Bill rate at 0.2 percent or lower is extremely rare, therefore, Staff recommends the Commission round up the 0.21 percent to 0.5 percent and specify the effective interest rate on customer deposits be maintained at 0.5 percent for

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calendar 2011. Staff discussed the recommendations with counsel and no objections were raised.

PROPOSED COMMISSION MOTION

Staff's recommendation to increase the current maximum late-payment rate to 1.7 percent monthly on overdue customer accounts and to maintain the current annual interest rate on customer deposits of 0.5 percent, for calendar year 2011, be adopted.

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