

ORDER NO. 11 468

ENTERED NOV 22 2011

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 779

In the Matter of

PUBLIC UTILITY COMMISSION OF  
OREGON,

Determination of Late Payment Rate and  
Interest Accrued on Customer Deposits.

ORDER

DISPOSITION: STAFF'S RECOMMENDATIONS ADOPTED

At its Public Meeting on November 22, 2011, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter, attached as Appendix A.

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. CA9

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: November 22, 2011**

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE January 1, 2012

DATE: November 10, 2011

TO: Public Utility Commission

FROM: Ming Peng *mp*

THROUGH: *LS* Lee Sparling, *MH* Marc Hellman, and *SS* Steve Storm

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 rate of 1.7 percent monthly (alternatively, from an Annual Percentage Rate of 20.4 percent) for calendar year 2012. 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, 2012, the annualized interest rate at which utilities must credit customers for deposits be reduced to 0.1 percent from the current 0.5 percent.

### DISCUSSION

#### Late-Payment Rate

Oregon Administrative Rules (OAR) 860-021-0126(3), 860-034-0120, 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.

#### 2011 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.

UM 779  
November 10, 2011  
Page 2

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 0.9 percent to 2.5 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 no change in the current maximum late-payment rate of 1.7 percent monthly for 2012. 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 2011. Staff used the average yields of T-bills of the closest term issued during the last week of October. From October 24 to 28, 2011, *The Wall Street Journal* reported that the T-bill maturing on October 18, 2012 (355 to 359 days to maturity), had asking yields averaging 0.1 percent for the week.

Please note that the Federal Reserve Press Release of September 21, 2011 at <http://www.federalreserve.gov/newsevents/press/monetary/20110921a.htm>

UM 779  
November 10, 2011  
Page 3

Includes the following statement: the Federal Open Market Committee (FOMC) "also decided to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that economic conditions—including low rates of resource utilization and a subdued outlook for inflation over the medium run—are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013."

To be consistent with the federal funds rate policy, Staff requests a temporary waiver of OAR 860-021-0210 ("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."), rounding the interest rate to the nearest 0.1% instead of the nearest 0.5% when T-Bill rate is lower than 0.5%, and recommends a 0.1% interest rate for 2012.

#### **PROPOSED COMMISSION MOTION**

Staff's recommendation (1) to approve a late-payment rate of 1.7% monthly on overdue customer accounts, (2) to approve an annual interest rate of 0.1% on customer deposits for calendar year 2012, and (3) to grant a waiver of OAR 860-021-0120 to accommodate the implementation of rounding the interest rate to the nearest 0.1 percent, be adopted. Utilities should be directed to refile their tariffs to reflect the new rates.

Docket No. UM 779 – 2012