

ORDER NO. 13 438

ENTERED NOV 26 2013

**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 on Customer Deposits.

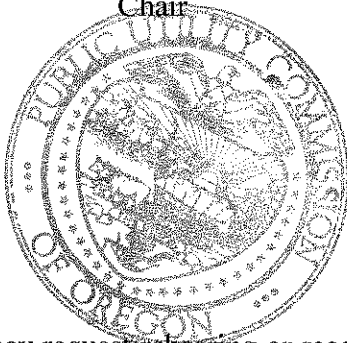
ORDER

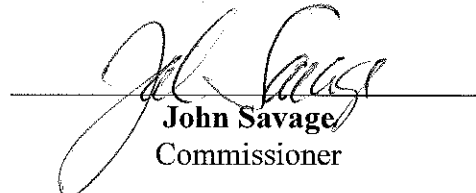
DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

This order memorializes our decision, made and effective at the public meeting on November 26, 2013, to adopt Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

Dated this 26th day of Nov., 2013, at Salem, Oregon.


Susan K. Ackerman
Chair




John Savage
Commissioner

COMMISSIONER BLOOM WAS
UNAVAILABLE FOR SIGNATURE

Stephen M. Bloom
Commissioner

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.

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ITEM NO. CA24

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 26, 2013

REGULAR _____ CONSENT EFFECTIVE DATE January 1, 2014

DATE: November 1, 2013

TO: Public Utility Commission

FROM: Ming Peng

MP *ME MG* *A*

THROUGH: Jason Eisdorfer, Maury Galbraith, and Marc Hellman

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 1.8 percent monthly (alternatively, an Annual Percentage Rate of 21.6 percent) for calendar year 2014. 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, 2014, the annualized interest rate at which utilities must credit customers for deposits be decreased to 0.1 percent from the current 0.2 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. The current late-payment rate and the conditions for its application to customer accounts shall be specified on the utility bill.

2013 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. The survey included department stores, 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 \$39, in addition to a finance charge of 1.24 percent to 2.42 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 1.8 percent monthly for 2014. This rate is reasonably consistent with the practices of commercial enterprises based on the results of Staff's survey.

Interest Paid on Customer Deposits

OAR 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 2013. Staff used the average yields of T-bills of the closest term issued during the last week of October. On October 25, 28, 29, 30 and 31, 2013, *The Wall Street Journal* reported that the T-bill maturing on October 16, 2014 (350 to 356 days to maturity) had asking yields averaging 0.09 percent for the week.

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Staff notes that the Federal Reserve Press Release of September 13, 2013, includes the following statement through the Federal Open Market Committee (FOMC): "the Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6-1/2 percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored."¹

To be consistent with the federal funds rate policy, Staff requests a temporary waiver of OAR 860-021-0210(1), OAR 860-034-0160(1), OAR 860-036-0050(1) and OAR 860-037-0045(1) which require, in relevant part, that the interest paid on customer deposits be rounded to the nearest one-half of one percent and this percentage is to apply to deposits held during January 1 through December 31 of the subsequent year.² Staff recommends rounding the interest rate to the nearest 0.1 percent instead of the nearest 0.5 percent when the T-Bill rate is lower than 0.5 percent, and recommends a 0.1 percent interest rate for 2014.

PROPOSED COMMISSION MOTION

Staff's recommendation, (1) to approve a late-payment rate of 1.8 percent monthly on overdue customer accounts, (2) to approve an annual interest rate of 0.1 percent on customer deposits for calendar year 2014, and (3) to grant a waiver of OAR 860-021-210(1), OAR 860-034-0160(1), OAR 860-036-0050(1) and OAR 860-037-0045(1) 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.

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¹ <http://www.federalreserve.gov/newsevents/press/monetary/20130918a.htm>

² The Commission may waive each of these rules upon written request or upon its own motion pursuant to, respectively: OAR 860-021-0005, OAR 860-034-0010(1), OAR 860-036-0001(1) and OAR 860-037-0001(1).