

ORDER NO. 14 395

ENTERED NOV 12 2014

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 779

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON,

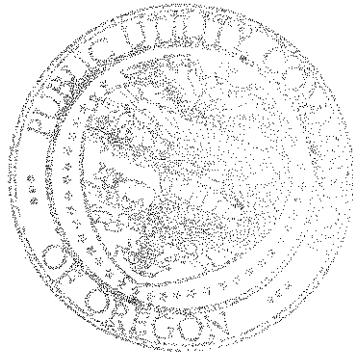
Determination of Late-Payment Rate and
Interest Accrued on Customer Deposits.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on November 12, 2014, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is 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. CA7

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 12, 2014

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2015

DATE: November 3, 2014

TO: Public Utility Commission

FROM: Ming Peng *MP*

THROUGH: Jason Eisdorfer and Marc Hellman *AA*

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 2015. 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, 2015, the annualized interest rate at which utilities must credit customers for deposits remain at 0.1 percent. The result of Staff's recommendation, if adopted by the Commission, maintains the previously-approved late payment and customer deposit rates as issued in Order No. 13-438.

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.

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2014 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 \$37, in addition to a finance charge of 1.24 percent to 2.50 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 2015. 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 "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. The Commission will advise all energy and large telecommunications 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 2014. Staff used the average yields of T-bills of the closest term issued during the last week of October. On October 27, 28, 29, 30 and 31, 2014, *The Wall Street Journal* reported that the T-bill maturing on October 15, 2015 (349 to 353 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 17, 2014, includes the following statement through the Federal Open Market Committee (FOMC): "In determining how long to maintain the current 0 to 1/4 percent target range for the federal funds rate, the Committee will assess progress--both realized and expected--toward its objectives of maximum employment and 2 percent inflation." "The Committee continues to anticipate, based on its assessment of these factors, that it likely will be appropriate to maintain the current target range for the federal funds rate for a considerable time after the asset purchase program ends, especially if projected inflation continues to run below the Committee's 2 percent longer-run goal, and provided that longer-term inflation expectations remain 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 2015.

PROPOSED COMMISSION MOTION

First, approve a late-payment rate of no greater than 1.8 percent monthly on overdue customer accounts; second, approve an annual interest rate of 0.1 percent on customer deposits for calendar year 2015; and, third, 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.

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¹ <http://www.federalreserve.gov/newsevents/press/monetary/20140917a.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).