

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 779

In the Matter of the Commission's)
Determination of Late-Payment Rate and) ORDER
Interest Accrued on Customer Deposits.)

**DISPOSITION: CURRENT LATE PAYMENT RATE REMAINS IN EFFECT;
CUSTOMER DEPOSIT INTEREST ACCRUAL RATE
CHANGED**

At its November 16, 1999, public meeting, the Commission accepted Staff's recommendation that the current 1.5 percent monthly rate which utilities charge customers on overdue accounts remain in effect and that the four percent annual rate at which utilities must credit customer deposit accounts be changed to five percent. Staff's recommendation is attached as Appendix A and is incorporated by reference.

ORDER

IT IS ORDERED that:

1. The monthly late-payment rate which utilities may charge customers on overdue accounts shall remain at 1.5 percent.
2. Effective January 1, 2000, all customer deposits shall accrue interest at a five percent annual rate. Pursuant to OAR 860-021-0210 and 860-034-0160, interest is to be prorated if the deposit is held less than one year. Utilities shall refile their tariffs to reflect the higher rate.
3. These rates shall remain in effect until further notice.

Made, entered, and effective _____ .

BY THE COMMISSION:

Vikie Bailey-Goggins
Commission Secretary

ITEM NO.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 16, 1999**

REGULAR AGENDA ___ CONSENT AGENDA X EFFECTIVE DATE _____

DATE: November 2, 1999

TO: Bill Warren through Marc Hellman

FROM: Ming Peng

SUBJECT: UM 779: Commission Determination of Late-Payment Rate and Interest
Accrued on Customer Deposits

SUMMARY RECOMMENDATION:

Staff recommends no change in the current late-payment rate of **1.5** percent monthly. This is the fee utilities may charge customers on overdue accounts. Staff also recommends that, beginning January 1, 2000, the annualized interest rate at which utilities must credit customers for deposits be increased to **5.0** percent from the current 4.0 percent.

DISCUSSION:

Late Payment Rate: OAR 860-21-126(3) and OAR 860-34-120(2) specify that the Commission "...will determine the late-payment rate annually based on a survey of prevailing market rates for late-payment charges of commercial enterprises and will advise all utilities, by November 15, of each year what rate they may use to determine the late-payment charges on overdue customer accounts during the following calendar year."

Staff surveyed over twenty commercial accounts reasonably representative of the general range of businesses likely to be patronized by most utility consumers, such as department stores (including furniture), tire retailers, home improvement warehouses, water and sewer systems, recycling and disposal, electricity, and telephone companies as well as insurance companies. The surveys indicated that a 1.5 percent monthly rate is applied by a few businesses for late payments. Most businesses, however, charge a flat fee for late payments (for example, \$20.00, which is double the amount charged just 5 years ago) in addition to an average finance charge of 1.8 percent per month. Some publicly-owned utilities (water/sewer and electricity) and insurance companies do not

charge for late payment. Past due accounts are subject to cancellation of the services or policies.

Staff concludes that the current 1.5 percent monthly charge for late utility payments is reasonably consistent with the practices of commercial enterprises. An alternative for late payment charge for Commission consideration is to apply an additional \$20 flat fee along with the 1.5 percent monthly charge. Again this alternative appears to be a common practice by most businesses. However, staff does not advocate this alternative because it would represent a significant penalty when the balance due is small.

Interest Paid on Customer Deposits: OAR 860-21-210(1) and OAR 860-34-160(1) state that “unless otherwise specified by the Commission, customer deposits shall accrue interest at a rate based upon the effective interest rates for new issues of one-year treasury bills issued during the last week of October.” It further directs the Commission to advise all utilities by November 15 of each year what rate will be paid on customer deposits during the following calendar year.

The October 28, 1999 Wall Street Journal reports that a treasury bill maturing on October 12, 2000 (**350** days to maturity) had an asking yield of **5.48** percent. As specified in the administrative rules, the rate is rounded to **5** percent.

Staff notes that the recommended effective date of the revised tariffs be January 1, 2000, and previously the PUC, under signature of William G. Warren, Director of the Utility Program, has issued a letter requesting utilities not file rates after November 1, 1999, for effective dates before January 19, 2000. However, given that the tariff filing would be in compliance with a Commission order, and the change is relatively minor, staff believes it is reasonable to vary from this general directive.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve a late-payment rate of **1.5** percent monthly to be applied to overdue customer accounts for the calendar year 2000.

Staff further recommends that customer deposits accrue interest at an annualized **five** percent (**5%**) rate during calendar year 2000. Interest is to be prorated if the deposit is held less than one year. Utilities should be directed to refile their tariffs to reflect the **higher** rate.