

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 779

In the Matter of the)	
)	ORDER
PUBLIC UTILITY COMMISSION OF)	
OREGON)	
)	
Determination of Late-Payment Rate and)	
Interest Accrued on Customer Deposits.)	

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

At its public meeting on November 25, 2008, the Public Utility Commission of Oregon (Commission) adopted Staff's recommendation, submitted pursuant to OARs 860-021-0126(3), 860-034-0120(2), and 860-036-0130(2), to change the current maximum monthly rate that utilities may charge customers on overdue accounts from the current 1.7 percent to 1.5 percent. The Commission also adopted Staff's recommendation, submitted pursuant to OARs 860-021-0210(1), 860-034-0160(1), and 860-036-0050(1), to change the annual rate at which utilities must credit customer deposit accounts from the current 4 percent to 1.5 percent. Staff's recommendations, attached as Appendix A, are incorporated by reference.

ORDER

IT IS ORDERED that effective January 1, 2009:

1. The monthly late-payment rate which utilities may charge customers on overdue accounts is changed from at 1.7 percent to 1.5 percent.
2. The customer deposit interest accrual rate is changed from 4 percent to 1.5 percent.

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

Made, entered, and effective NOV 28 2008.



BY THE COMMISSION:

Becky L. Beier
Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to 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 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. CA9

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 25, 2008

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2009

DATE: November 10, 2008

TO: Public Utility Commission

FROM: Ming Peng



THROUGH: ^{As per L.S.} Lee Sparling, Marc Hellman, and 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 changing the current late-payment rate of 1.7% to 1.5% monthly, which is equivalent to an Annual Percentage Rate (APR) of 18.0%. 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, beginning January 1, 2009, the annualized interest rate at which utilities must credit customers for deposits be changed to 1.5%, from the current 4%.

DISCUSSION:

Late-Payment Rate: Oregon Administrative Rules (OAR) 860-021-0126(3), 860-034-0120(2), and 860-036-0130(1) 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 utilities of the changes in the 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."

Staff surveyed over 30 commercial enterprises believed to reasonably represent the range of businesses likely to be patronized by utility customers. The survey included department stores; retailers of gasoline, household furnishings, furniture, clothing, tires, hardware, consumer electronics, toys, books, office supplies, home improvement

UM 779
November 10, 2008
Page 2

products and services; providers of passenger rail and airline travel, and lodging; and mass merchandisers of groceries and general merchandise. The survey also included providers of water and sewer services, recycling and disposal services, electricity and telecommunications services and insurance companies.

All but six of the businesses surveyed charge a flat fee for late payments¹ plus an amount based on a percentage rate applied to the past due balance. This rate ranged from 1.1% to 1.9% per month for the surveyed firms. Insurance companies and some utilities do not charge a late-payment fee. Past due accounts with these firms are subject to policy or service cancellation.

Many utility companies in other jurisdictions 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 1.7% monthly percentage rate applied to late utility payments to 1.5%. It is reasonably consistent with the practices of commercial enterprises based on the results of Staff's recently concluded survey.

Interest Paid on Customer Deposits: OAR 860-021-0210(1), 860-034-0160(1), and 860-036-0050(1) state 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."

No 52-week Treasury bills were issued during the last week of October 2008. Staff used the average yields of Treasury bills of the closest term issued during the last week of October. From October 27th to the 31st, 2008, *The Wall Street Journal* reported that the Treasury bill maturing on October 22, 2009, (355-359 days to maturity) had asking yields averaging 1.4178%. As specified in the previously cited administrative rules, this annual interest rate is rounded to the nearest one-half of one percent (to 1.5%) for establishing the annualized interest rate to be applied to customer deposits.

¹ "Flat fee" late payment charges ranged from \$10 to \$39 for the businesses surveyed. Note that most of these businesses have established tiered flat fees, where a lower "flat fee" is charged for past due amounts up to a specified amount, after which a higher "flat fee" is charged. Many of the businesses surveyed had three or four levels of "flat fees."

UM 779
November 10, 2008
Page 3

PROPOSED COMMISSION MOTION:

Staff's recommendation to set the late-payment rate to a 1.5% monthly maximum on overdue customer accounts, and the annual interest rate to 1.5% on customer deposits, for the calendar year 2009, be adopted.

UM 779 - 2009