

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: November 20, 2012**

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE January 1, 2013

DATE: November 13, 2012

TO: Public Utility Commission

FROM: Ming Peng

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 changing the current maximum late-payment rate of 1.7 percent monthly to 1.8 percent (alternatively, from an Annual Percentage Rate of 20.4 percent to 21.6 percent) for calendar year 2013. 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, 2013, the annualized interest rate at which utilities must credit customers for deposits be increased to 0.2 percent from the current 0.1 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.

## **2012 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 1.3 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 changing the current maximum late-payment rate of 1.7 percent monthly charge to 1.8 percent for 2013. 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 2012. Staff used the average yields of T-bills of the closest term issued during the last week of October. On October 25, 26, 29, and 31, 2012, *The Wall Street Journal* reported that the T-bill maturing on September 19, 2013 (323 to 329 days to maturity), had asking

yields averaging 0.16 percent for the week. The T-Bill rate for the last week of October does not include the 30<sup>th</sup> day of October because the New York Stock Exchange was closed in the aftermath of Hurricane Sandy in New York on October 30, 2012.

Please note that the Federal Reserve Press Release of September 13, 2012 includes the following statement through the Federal Open Market Committee (FOMC): "the Committee also decided today to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that exceptionally low levels for the federal funds rate are likely to be warranted at least through mid-2015."<sup>1</sup>

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."). Staff recommends rounding the interest rate to the nearest 0.1 percent instead of the nearest 0.5 percent when T-Bill rate is lower than 0.5 percent, and recommends a 0.2 percent interest rate for 2013.

## **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 0.2 percent on customer deposits for calendar year 2013, 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.

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<sup>1</sup> <http://www.federalreserve.gov/newsevents/press/monetary/20120913a.htm>