

# **Rocky Mountain Power Collection Agency Fees Docket No. 13-035-T08**

Technical Conference  
June 11, 2013



## Proposed Change to Regulation 3.3

- ❑ Rocky Mountain Power sends unpaid inactive customer accounts to collection agencies. The collection agency currently bills the Company their fee once collection of the debt is achieved. The fee billed to the Company is a percentage negotiated and memorialized in a contract between the collection agency and the Company.
- ❑ The change the Company would like to make is to have the customer pay the collection agency fee when the debt is collected. The language below is being proposed to be added to our tariff in support of that change in business process:

*7. Default by Customer. Subsequent to the termination or suspension of service and following the due and payable period of the Customer's closing bill, the Customer will be responsible for any reasonable costs associated with the collection of unpaid accounts, including but not limited to: court costs, attorney's fees and/or collection agency fees. If an applicant with a recoverable balance assigned to a collection agency requests new service, and if their application is approved and all required charges are paid, the Company will cancel the collection agency assignment and transfer the remaining debt to the customer's current account, so long as legal action has not been initiated by the collection agency. The collection agency will not assess a fee to the customer when a past due balance is transferred to the customer's current account.*

# Process for an Assigned Account

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## Step 1 – Close Account

- The most common reasons a Rocky Mountain Power customer account is closed:
  - requested by customer
  - disconnected for non-payment
  - new occupant has moved in and requested service

## Step 2 – Issue Closing Bill, 20 days to pay

- requested by customer = read the meter and issue a closing bill
- disconnection for non-payment = close account after five days and issue a closing bill
- new occupant moves in = close prior customer account and issue a closing bill

## Step 3 – Assign unpaid inactive account to collection agency

- Company assigns debt to collection agency 20 days after the due date of the closing bill

## Step 4 – Send courtesy letter

- Agency sends letter giving an additional 15 days to submit payment or dispute the debt.
  - If paid within the 15 days, no fees charges by the collection agency to customer or Company

# Closing Bill Sample

**ROCKY MOUNTAIN  
POWER**

**Statement  
labeled  
"Closing Bill"**

Questions about your bill: **1-888-221-7070**  
Call toll free 24 hours a day, 7 days a week  
[www.rockymountainpower.net](http://www.rockymountainpower.net)

**Closing Bill**

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BILLING DATE: **Feb 6, 2013**

ACCOUNT NUMBER:

DATE DUE: **Feb 22, 2013**

AMOUNT DUE: **\$136.90**

**Due  
Date of  
Closing  
Bill**

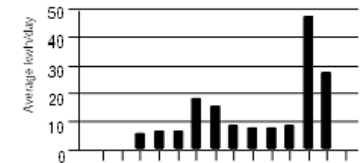
## Your Balance With Us

Previous Account Balance	171.80
Payments/Credits	-71.80
New Charges	+36.90
<b>Current Account Balance</b>	<b>\$ 136.90</b>

## Payments Received

DATE	DESCRIPTION	AMOUNT
Feb 6, 2013	Payment Received - Thank you	71.80
<b>Total Payments</b>		<b>\$ 71.80</b>

## Historical Data - ITEM 2



2012 F M A M J J A S O N D J F 2013

## Your Average Daily kwh Usage by Month

PERIOD ENDING	FEB 2013	FEB 2012
Avg. Daily Temp.	22	27
Total kwh	360	0
Avg. kwh per Day	28	0
Cost per Day	\$2.84	\$0.00

**Notice of  
Potential  
Fees**

## Detailed Account Activity

### ITEM 2 - ELECTRIC SERVICE

1104 N 2ND St Lot 23 Lander WY  
Residential Rv Park Schedule 2

METER NUMBER	SERVICE PERIOD		ELAPSED DAYS	METER READINGS		METER MULTIPLIER	AMOUNT USED THIS MONTH
	From	To		Previous	Current		
66699285	Jan 23, 2013	Feb 5, 2013	13	4327	4687	1.0	360 kwh

### NEW CHARGES - 02/13

	UNITS	COST PER UNIT	CHARGE
<b>CLOSING CHARGES</b>			
Basic Charge - Single Phase for 13 day(s)			8.67
Energy Charge Block 1 for 13 day(s)	217 kwh	0.0040300	0.87
Energy Charge Block 2 for 13 day(s)	143 kwh	0.0105500	1.51

Customer will be responsible for reasonable costs associated with collection of unpaid accounts, including but not limited to: court costs, attorney's fees and a collection agency fee.

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# Process of an Assigned Account

Rather than have the collection agency collect the debt from the former customer (account holder) and have the utility pay a percentage to the collection agency, we propose the collection agency collect their fee directly from the former customer. This would align with the principal that the causer of the cost would be paying the cost, rather than passing the cost to all customers.

With the Company's proposal, it is at this point change occurs:

Current process	Process after tariff approval
<p><u>Step 5</u> If no payment or dispute is received the collection agency will pursue the debt.</p>	<p><u>Step 5</u> If no payment or dispute is received the collection agency will pursue the debt <u>and assess reasonable collection fees.</u></p>

# Process of an Assigned Account

Current process	Process after tariff approval
<p><u>Step 6</u> If the collection agency collects from an account holder, the agency will provide the payment to the utility and <u>the company will pay the collection agency a specific, contracted percentage.</u></p> <ul style="list-style-type: none"><li><input type="checkbox"/> <u>Fees paid by Company to collection agencies are included as an expense in revenue requirement for all customers to pay.</u></li></ul>	<p><u>Step 6</u> If the collection agency collects from an account holder, the agency will provide the payment to the utility and <u>retain the collection agency fee collected from the customer.</u></p> <ul style="list-style-type: none"><li><input type="checkbox"/> <u>No fees are paid to the agency by the Company on <b>new</b> assignments to the collection agencies.</u><ul style="list-style-type: none"><li><input type="checkbox"/> <u>Fees paid by the Company to collection agencies for accounts placed with a collection agency <b>prior</b> to the effective date of the tariff change will continue to be included as an expense in revenue requirement for all customers to pay.</u></li><li><input type="checkbox"/> <u>Following the effective date of tariff change it is projected most, but not all, collection agency fees will be removed in the first three years from the time the process changes. (See table on Page 9.)</u></li></ul></li></ul>

# Process of an Assigned Account

Current process	Process after tariff approval
<p><u>Step 7 – Re-establishment of Service.</u> If a former customer with an unpaid collection agency assignment applies for service from Rocky Mountain Power and meets all service eligibility requirements (which includes paying Rocky Mountain Power the outstanding debt), then the collection agency assignment is cancelled and no collection agency fees are assessed to the Company or the former customer.</p>	<p><u>Step 7 – Re-establishment of Service.</u> If a former customer with an unpaid collection agency assignment applies for service from Rocky Mountain Power and meets all service eligibility requirements (which includes paying Rocky Mountain Power the outstanding debt), then the collection agency assignment is cancelled and no collection agency fees are assessed to the Company or the former customer. <u>(No change from current policy)</u></p>

# Collection Agency Fees 2012 – Utah Only

2012	Amount
January	\$41,717
February	\$40,693
March	\$56,866
April	\$27,586
May	\$26,649
June	\$26,843
July	\$36,337
August	\$40,290
September	\$38,192
October	\$30,494
November	\$19,547
December	<u>\$32,823</u>
<b>2012 Total</b>	<b>\$418,042</b>



# Collection Agency Fees – Utah Only

## Fees Paid

Year	Amount
2009	\$470,375
2010	\$440,828
2011	\$419,814
2012	\$418,042

## Recovery Amounts by Year of Assignment

Rocky Mountain Power anticipates the complete removal of Company costs from rate base to take upwards of seven years. The following shows the anticipated reduction in costs based on recovery over the past four years. The reduction in costs were approximately 56% in year 1, approximately 30% in year 2 and approximately 7% in year 3.

Year	Amount Collected By Agencies	1st Year Assignment	1st year % of total	2nd Year Assignment	2nd Year % of total	3rd Year Assignment	3rd Year % of total	4th Year Assignment	4th Year % of total	5th Year Assignment	5th Year % of total
2009	\$2,085,466	\$1,221,062	59%	\$608,690	29%	\$147,734	7%	\$70,526	3%	\$35,443	2%
2010	\$2,086,821	\$1,176,368	56%	\$658,438	32%	\$107,161	5%	\$72,316	3%	\$41,614	2%
2011	\$2,000,359	\$1,090,251	55%	\$598,623	30%	\$137,721	7%	\$71,827	4%	\$54,776	3%
2012	\$2,085,203	\$1,130,400	54%	\$582,836	28%	\$162,232	8%	\$83,217	4%	\$57,790	3%
		<b>Average</b>	<b>56%</b>	<b>Average</b>	<b>29.8%</b>	<b>Average</b>	<b>6.8%</b>	<b>Average</b>	<b>3.5%</b>	<b>Average</b>	<b>2.5%</b>

# Projected Fee Savings to Ratepayers

- Projected fee savings in the first four years is anticipated to be approximately \$1.38 million. Continued savings in perpetuity estimated at \$400,000+ each year.

Year	Projected Fee Savings
2014	\$234,103
2015	\$358,680
2016	\$387,106
2017	<u>\$401,738</u>
<b>Total</b>	<b>\$1,381,627</b>

- Projected fee savings is based on the fees paid in 2012 to collection agencies and the average percentage of amounts recovered on a yearly basis (Page 9).

# To summarize - what is changing?

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- ❑ Collection agencies will add their fee to the outstanding debt required from former customers.
  - ❑ Rocky Mountain Power contracts with collection agencies. The specific contracts with our collection agencies set limitations on the percentages assessed. This in turn allows us to limit the impact to customers.
  
- ❑ Collection agencies will only bill fees to Rocky Mountain Power when collection agencies recover debt on an account assigned to them prior to the effective date of the tariff and contract amendment.
  
- ❑ Rocky Mountain Power customers will no longer subsidize the collection agency costs in their rates.

## To summarize -- what is staying the same?

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- ❑ Rocky Mountain Power will continue to provide the same level of noticing and communication with the former customer.
- ❑ If the former customer doesn't pay the outstanding debt to the collection agency, the customer will also not be paying the fees (nor does the Company).
- ❑ Former customers have the same opportunity to re-establish service without paying the collection agency fees.