



State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

THOMAS BRADY
Deputy Director

CHRIS PARKER
Director, Division of Public Utilities

GARY HEBERT
Governor
GREG BELL
Lieutenant Governor

MEMORANDUM

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Energy Section Manager

Justin Christensen, Utility Analyst II

Brenda Salter, Technical Consultant

Date: June 25, 2013

Re: **Recommendation – Approval, Rocky Mountain Power proposed Tariff page change to Electric Service Regulation 3, Advice No. 13-07**

Docket No. 13-035-T08

RECOMMENDATION (APPROVAL)

The Division continues to recommend that the Commission approve Rocky Mountain Power's (Company) proposed modification to Electric Service Regulation 3.

ISSUE

On April 5, 2013 the company filed a request to modify Electric Service Regulation 3. The Company is proposing to add language to Electric Service Regulation 3 to indicate customers are responsible for reasonable court costs, attorney's fees and/or collection agency fees incurred in the collection of unpaid debt following the due date of their closing bill. The Company requests an effective date of May 6, 2013. On May 3rd, 2013 the Commission determined to further examine concerns with this issue by holding a technical conference on June 11, 2013. This memorandum represents the Division's response following the technical conference.

DISCUSSION

The added language the Company proposes is as follows:

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.

Only unpaid inactive accounts are sent to collection agencies. As explained in the technical conference, an inactive customer has 55 days to pay an outstanding bill before any collection fees are incurred. After closing an account, the Company issues a closing bill for the account. The customer has 20 days to pay on the closing bill. If unpaid, the Company holds the bill for an additional 20 days before sending the bill to a collection agency. The collection agency sends a Company letter to the account holder allowing an additional 15 days to pay the bill.

Currently, the collection agency only bills the Company collection fees when it collects on the outstanding bill. Once the collection agency recovers the debt, its fees are deducted from the amount owed the Company and the fees are born by all ratepayers. The Company is proposing that going forward inactive customers who cause the collection costs also pay those costs. In other words, the collection agencies will add their fee to the outstanding debt required from former customers.

In summary the Company proposes that:

- 1- Collection agencies add their fee to the outstanding debt required from former or inactive customers.
- 2- Collection agencies will only bill fees to the Company when collection agencies recover debt on an account assigned to them prior to the effective date of the tariff and contract amendment.
- 3- The Company's customers will no longer subsidize the collection agency costs in their rates.

One of the main concerns expressed by other parties is the added fee to the outstanding amount will be a hardship to low income customers. This is not necessarily the case. First, the fees will only be incurred if the inactive customer chooses to pay the debt. This of course may not be of real comfort if the collection agency undertakes legal action. However, the agency can presumably do so under the current practice; the Company's liability is limited to an amount, a negotiated percentage, specified by contract. Second, the agency has the discretion to set or establish an affordable payment plan for the inactive customer. Third, as explained above, the inactive customer has a 55 day grace period before the collection fees apply. Fourth, the inactive customer does not pay the collection fees in the case where they seek reconnection and pay the outstanding debt. The Company has stated that during the year 2012, they paid approximately \$418,000 to collection agencies for Utah customers. With the changes, the Company is projected to save over \$234,000 in fees in 2014 and increasing each year to over \$401,000 in 2017. Although the annual amount is relatively minor, the language change is consistent with the principle of cost causation. Therefore, the Division believes the change is in the public interest.

Pursuant to the requirement of Rule R746-405-2D, the Company states that the proposed tariff sheets do not constitute a violation of state law or Commission rule.

CONCLUSION

The Division has reviewed the filing and continues to recommend that the Commission approve the added aforementioned language to Electric Service Regulation 3.

CC:

Dave Taylor, RMP
Jeffrey Larsen RMP
Michele Beck, OCS
Service List