

Docket No. 13-035-T08
Tech. Conference 6/11/2013

- 1.1 Please provide a copy of any written agreements between the Company and collection agencies. How would the agreements change with this proposed policy change?

See Confidential Attachments OCS 1.1-1 through 1.1-8 for copies of the Company's contracts with collection agencies.

If approved, Rocky Mountain Power would put the following paragraph into a contract addendum with each collection agency:

"The Consultant shall add a reasonable collection fee to the account as specified by Company where state specific regulations apply. Collection of this fee will be the sole responsibility of the Supplier. It is agreed by the Company and Supplier that where state specific regulation states that the customer will be responsible for any reasonable cost associated with the collection of unpaid accounts, including but not limited to: reasonable court costs, reasonable attorney's fee and/or reasonable collection agency fees. The Company shall not be invoiced for the commission unless specifically approved previously. All commissions charged to the Company in the specified state(s) shall be determined based on the original assignment amount from the Company."

Confidential information is provided subject to Utah PSC Rule 746-100-16.

- 1.2 On average how long does it take for the collection agency to recover amounts in arrears?

An average of 104 days for those accounts fully recovered.

- 1.3 Please provide, by customer class, the following data for the most recent three year period available:

- a. The dollar amount and number of arrearages sent to collection agencies

Year	Residential		Non-Residential	
	Accounts	Assigned	Accounts	Assigned
2010	36,885	\$6,755,984	1,569	\$1,425,733
2011	35,471	\$6,224,124	1,336	\$1,140,552
2012	33,145	\$6,313,984	1,277	\$1,202,924

- b. Identify how many of the accounts were active and how many were inactive when sent to collection agencies.

All of the accounts assigned to collection agencies are inactive. Refer to OCS 1.3a for the total number of accounts sent to collection agencies.

- c. The dollar amount recovered by collection agencies.

Available data could not be broken down by customer class.

All Customer Classes	
Year	Recovered
2010	\$2,086,821
2011	\$2,000,359
2012	\$2,085,203

- d. The number of accounts fully recovered, partially recovered, and for which nothing was recovered.

Year	Residential			Non-Residential		
	Full Recovery	Partial Recovery	No Recovery	Full Recovery	Partial Recovery	No Recovery
2010	13540	1205	16451	591	77	798
2011	13138	1245	16607	475	71	710
2012	10862	1251	18014	493	71	657

- e. The annual costs of collection.

All Customer Classes	
Year	Annual Cost
2010	\$440,828
2011	\$419,814
2012	\$418,042

GENERAL

- 1.4 Does the Company have evidence that more money will be collected if this proposed tariff change is implemented?

No. The objective of the proposed tariff change is to allow collection agencies the ability to assess fees directly to the responsible customer, thereby removing the subsidization of this cost to all other customers. The change is not intended or anticipated to increase or decrease the money collected by the Company, but it will decrease collection expense. See also Company's response to OCS 1.7.

- 1.5 How does the Company define "reasonable" as applied to collection costs, attorneys' fees and court costs?

Rocky Mountain Power does not define "reasonable" as used in the tariff language. The term "reasonable" was added as a benefit or protection for the customer. The use of the term "reasonable" allows the customer to dispute the reasonableness of the fees charged by the collection agency in a court of law.

- 1.6 Is this policy (or a similar policy) in effect in any state(s) in PacifiCorp's service territory?

Yes.

- a. Wyoming.
 - b. There are no differences.
 - c. The Wyoming Public Service Commission approved the tariff on April 28, 2008 and the Company implemented the new process several months later after contract changes with collection agencies were finalized and training was completed.
 - d. Rocky Mountain Power previously filed a similar change in Utah and Idaho. Both filings were deferred. Pacific Power filed and received approval in Oregon, and subsequently withdrew the tariff with agreement to re-file at a later date.
- 1.7 For each state identified in 1.10 (a) above: Has the policy resulted in fewer arrears, increased collections, fewer/lower bad debt write-offs? Please provide all documentation supporting your response.

Wyoming is the only state identified above in 1.6(a). Agencies have been assessing fees to Wyoming inactive customers since the middle of 2008. The following is data for 2005-2012 in Wyoming:

This policy change affects inactive customers and does not directly impact current customers and their ability to pay. If a customer is unable to pay their closing charges the debt is sent to a collection agency. The customer's ability to pay the debt prior to being assigned is not impacted by any fees assessed after the assignment takes place. If anything, the customer's debt prior to assignment, under the current policy, is larger as a result of the current subsidization of the fees by all ratepayers. The focus of the following data is on inactive arrears, inactive collections, write-offs and the estimated savings to ratepayers based on estimated fees no longer paid to collection agencies in Wyoming.

Year	Number of Assignments	Assigned Amount	Net Write-off	Estimated Savings to Ratepayers*
2005	7,497	\$1,027,209	\$586,088	N/A
2006	7,153	\$980,319	\$537,710	N/A
2007	6,659	\$1,033,105	\$540,252	N/A
2008	6,731	\$1,113,359	\$610,178	\$4,233**
2009	7,756	\$1,412,624	\$908,461	\$8,514
2010	7,740	\$1,389,480	\$801,696	\$33,542
2011	7,590	\$1,440,150	\$736,593	\$41,322
2012	7,068	\$1,317,207	\$663,657	\$47,913

* Estimated savings for Wyoming ratepayers was based on an average collection agency rate of 18%. The Company has negotiated different terms from collection agencies during contract renegotiations between 2008 and 2012.

** Savings in 2008 were based on 4 months as policy change started August, 2008

The number of collection agency assignment dollars increased between 2005 and 2012. Net write-off increased from 2005 through 2009 and decreased from 2009 to present. We attribute most of this increase to the recession that occurred in 2008 through 2010. The Company instituted many proactive measures to assist customers in lowering their monthly bills and making payments throughout all the states we serve during this time. Those measures continue to assist customer in staying current on their billings. We also estimated the savings to all rate-payers based on estimated collection agency fee and subtracting fees actually paid to Wyoming collection agencies from 2008 to 2012.

See Confidential Attachment OCS 1.7-1 and Attachment 1.7-2 to 1.7-3 for supporting documentation on the data provided in the table above. Wyoming assignment counts and assigned amounts were queried directly from our customer service system. Net write-off data was extracted from our financial system SAP. The net write-off is stored by state where the write-off occurred. The estimated savings is derived from the total recovered amounts in Wyoming in 2008 to 2012 minus the fees actually paid in Wyoming for the same year. This data was extracted in a query from our customer service system and financial system SAP.

CURRENT POLICY

- 1.8 Please provide all criteria the Company uses for assessing the cost-effectiveness of its credit and collection activities and any supporting studies or documentation.

Rocky Mountain Power assesses the effectiveness of its credit and collections activities by comparing write-off dollars to retail revenue. See Attachment OCS 1.8 for a comparison of write-off dollars to retail revenue for utilities across the nation for the years 2009, 2010 and 2011 (2012 review is not available yet). The report was compiled internally using FERC Form 1 data. This data is provided at a PacifiCorp level, however the Utah state level percent of write-off to retail revenue for 2009 through 2012:

UTAH	
2009	0.34%
2010	0.26%
2011	0.23%
2012	0.20%

- 1.9 Please provide a detailed description of the Company's decision policy or rule on when to refer accounts with arrears to collection agencies.

When a former customer does not pay their closing bill, approximately 20 days after the due date (approximately 45 days after the account has been closed) the account is referred to a collection agency. A letter is sent notifying the customer that the account will be assigned to a collection agency. The customer is given 15 days from the mailing of the letter to dispute the payment of the debt.

- 1.10 Please provide a copy of all studies, evaluations or reports of which the Company is aware that assess the cost-effectiveness of the use of collection agencies as a mechanism for collection of utility bills.

In numerous internal discussions on collections and the use of collection agencies, informal calculations have indicated in no way would it be cost-effective to handle inactive collections internally. Therefore no formal study has been conducted.

Rocky Mountain Power currently contracts with two collection agencies for collection services in Utah. These collection agencies are monitored closely regarding the amount of assignments worked and payments received. Rocky Mountain Power monitors the amount assigned with the amount collected for a period of time after the date of assignment. This information gives the company a percentage of payments received on assignments to these collection agencies. We then compare this percentage to one another to see if the collection agencies are performing similarly. See Confidential Attachment OCS 1.10.

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- 1.11 Please describe the pertinent factors that result in an arrearage being written off. Please also provide any documents that set forth Company procedures for determining when to write-off a residential account as uncollectible.

During the course of business, a customer may move out of a location and carry an outstanding balance. Every effort is made by PacifiCorp to deliver the final bill to the customer. However, sometimes the Company is not successful or the customer simply does not pay the final bill. When a balance is outstanding for more than 180 days, it is considered uncollectible debt and the debit amount is written-off the Company's accounting books and no longer shows as an uncollectible debt.