

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

Technical Conference
Updated June 20, 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

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 2a- Outbound Call

- 1-2 days following the closing bill due date an automated outbound call is made to the primary phone #

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 charged by the collection agency to customer or Company

Closing Bill Sample

**ROCKY MOUNTAIN
POWER**

PAGE 1 OF 2

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

Closing Bill

BILLING DATE: Feb 6, 2013
ACCOUNT NUMBER:
DATE DUE: Feb 22, 2013
AMOUNT DUE: \$136.90

Due
Date of
Closing
Bill

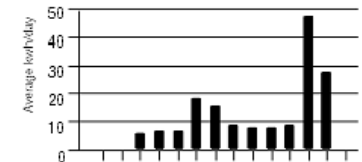
Your Balance With Us

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

Payments Received

| DATE | DESCRIPTION | AMOUNT |
|-----------------------|------------------------------|-----------------|
| Feb 6, 2013 | Payment Received - Thank you | 71.80 |
| Total Payments | | \$ 71.80 |

Historical Data - ITEM 2



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

Detailed Account Activity

ITEM 2 - ELECTRIC SERVICE

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

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

NEW CHARGES - 02/13

| | UNITS | COST PER UNIT | CHARGE |
|---|---------|---------------|--------|
| CLOSING CHARGES | | | |
| 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 |

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

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.

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"><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> | <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"><input type="checkbox"/> <u>No fees are paid to the agency by the Company on new assignments to the collection agencies.</u><ul style="list-style-type: none"><input type="checkbox"/> <u>Fees paid by the Company to collection agencies for accounts placed with a collection agency prior 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><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> |

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> |
| 2012 Total | \$418,042 |

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% |
| | | Average | 56% | Average | 29.8% | Average | 6.8% | Average | 3.5% | Average | 2.5% |

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> |
| Total | \$1,381,627 |

- 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?

- ❑ 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?

- ❑ 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.

Response to Technical Conference Questions

- ❑ Rocky Mountain Power has added slides to the presentation originally provided on June 11, 2013 in response to questions raised during the technical conference:
 - ▶ Courtesy letter (step 5, page 3) sent to former customers
 - ▶ Customer payments received from issuance of closing bill to collection agency assignment
 - ▶ Comments regarding notification to customers prior to agency assignment, particularly returned mail
 - ▶ Parameters regarding “reasonable” % charged to former customers & collection agency contract language

Current Courtesy Letter- ***See Note for Future Changes Below**



Account #: #
Amount Due: \$XX

PO Box 25308
Salt Lake City, Utah 84125-0308
1-888-221-7070
fax 1-877-283-7697
www.rockymountainpower.net

Dear *CUSTOMER NAME*:

During your move, it appears your closing electricity bill for \$XX from **ADDRESS** may have been overlooked. There are several convenient options for you to submit your payment today: by mail; on our Web site at no charge; or by phone, using our pay-by-phone option for a fee.

- Payments can be mailed to PO Box 26000, Portland, Oregon, 97256-0001. Please be sure to include your electric account number with your payment.
- Pay-by-phone 24 hours a day, 7 days a week with a checking account, debit card or credit card using our toll-free number 1-888-221-7070. There is a fee for this service, charged by our third party provider.
- Online with a checking account at www.rockymountainpower.net

At Rocky Mountain Power, we sincerely value your business and would like to help keep your balance owed from being assigned to a collection agency. If you have any questions or need additional information about your bill, please contact us any time at our toll-free number, 1-888-221-7070. Any of our customer service representatives will be happy to assist you. If you have already paid your balance, thank you. Please disregard this notice.

We look forward to serving you again.

Sincerely,

Rocky Mountain Power Customer Services

Esta carta representa nuestro último intento de cobrar el saldo debido Rocky Mountain Power por su consumo eléctrico. Favor de llamar al 1-888-225-2611 para hablar sobre esto con un representante en español.

*** Future change: When approved, Rocky Mountain Power will add language in the courtesy letter advising former customers of the collection agency fees**



Closing Bill to Collection Agency Assignment

- Rocky Mountain Power provides the following estimate of closing bills fully paid during each notification period, as outlined below:

| Total Closing Bills | Fully Paid by Closing Bill Due Date | % Fully Paid by Closing Bill Due Date | Fully Paid during 20 Day Grace Period | % Fully Paid during 20 Day Grace Period | Fully Paid during 15 day Courtesy Letter | % Fully Paid during 15 day Courtesy Letter |
|---------------------|-------------------------------------|---------------------------------------|---------------------------------------|---|--|--|
| 100,412 | 34,076 | 33.94% | 19,907 | 19.83% | 1,689 | 1.68% |

Notification Timeline:

- Closing Bill 20 days until due date
- Outbound Call 2 days after due date
- Grace Period 20 days after due date before sent to collection agency
- Courtesy Letter 15 days following assignment to collection agency

Returned Mail and Closed Bill Payment Arrangements

- ❑ Rocky Mountain Power receives returned mail electronically from the United States Postal Service (USPS).
 - ❑ If the customer has notified the USPS of a change of address, the USPS will notify us of the new mailing address and deliver (forward) the customer's closing bill to the correct address.
 - ❑ If the Company receives the new mailing address during notifications 1, 2 or 3, the mailing address is updated prior to the courtesy letter being sent ensuring it is sent to the correct address.

- ❑ If no forwarding address is provided in the returned mail, we will attempt to reach the former customer at the primary phone number listed on the account. Approximately 6% of closing bills are returned.

- ❑ If we are able to reach the former customer or they contact Rocky Mountain Power prior to the assignment to the collection agency, the Company would discuss the outstanding balance, potentially make short term arrangements for payment of the balance and manually send a copy of the closing bill to the former customer.

Collection Agency Contracts

- ❑ Rocky Mountain Power carefully and strategically chooses collection agencies in a competitive market to collect on unpaid power accounts. This process benefits from having competition and current fee %'s are negotiated.

- ❑ Rocky Mountain Power will continue to work closely with collection agencies to ensure the collection agency fee % is competitive. Utah Code Section 12-1-11 limits the amount to be charged by collection agencies at 40%.

- ❑ Rocky Mountain Power will be entering into negotiations with collection agencies this year and will focus on several key aspects of the negotiated contract:
 - ❑ Collection agency % are based on the date of assignment. Rocky Mountain Power seeks assurance the % will remain equal for all assignments on the same date.
 - ❑ Continued focus on competitive fee % based on other collections managed by the collection agencies.
 - ❑ The current language in the contract can be changed to add clarity to the sentences highlighted on the following slide.

Contract Language

“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.”