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Date: June 25, 2013

Subject: OCS Reply Comments. Rocky Mountain Power Proposed Tariff Change to Electric Service Regulation 3. Docket 13-035-T08 Advice No. 13-07

## Background

On April 5, 2013, Rocky Mountain Power (Company) filed with the Public Service Commission (Commission) a proposed change to Electric Service Regulation 3 – Electric Service Agreements.

The Company proposes to add language to Electric Service Regulation 3 to specify that customers are responsible for reasonable court costs, attorney's fees and/or collection agency fees (Fees) incurred in the collection of unpaid debt following the due date of their closing bill. The proposed language reads 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.

On April 16, 2013, the Division of Public Utilities (Division) filed comments recommending that the Commission approve the Company's proposed modification to Electric Service Regulation 3.

On April 29, 2013, the Office of Consumer Services (Office) filed comments with the Commission recommending that the requested language change be denied and that the Company present the issue in its next general rate case. Salt Lake Community Action Program also filed comments recommending that the Company's request be denied.

Due to the disparate views offered by parties the Commission, on May 3, 2013, issued an order suspending the proposed tariff changes and setting a scheduling conference. Following the scheduling conference the Commission issued an order on May 21, 2013 setting the following schedule: technical conference - June 11, 2013; intervention deadline - June 12; reply comments, all parties - June 25, 2013; hearing July 1, 2013.

In response to the Commission's May 21, 2013 order, the Office offers the following reply comments regarding the Company's proposed additional language for Regulation 3.

## **Discussion**

The proposed additional language would not only make customers responsible for Fees but it would remove the Company as the party setting those Fees and essentially hand over that responsibility and authority to collection agencies with whom the Company has contracted.

At the June 11, 2013 technical conference the Company provided information regarding its current process for working with collection agencies and explained the elements that would remain the same and those that would change if the Commission approves the requested change. The change would apply to customers that leave the Company's service with amounts owing for services received. This can be customers that leave voluntarily or where service is disconnected due to non-payment. The Company proposes to make the customer<sup>1</sup> in arrears responsible for "reasonable costs associated with the collection of unpaid accounts, including but not limited to: court costs, attorney's fees and/or collection agency fees". The main problem with this approach is that the determination of "reasonable costs" is left to the collection agency. The Office finds this lack of definition surprising considering the careful and thoughtful consideration given to contracts the Company enters into on its own behalf.

The Company offers no basis for the determination of what would be considered "reasonable fees". However, in response to questions posed at the July 11 technical

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<sup>1</sup> Once the customer leaves the system either by choice or through Company disconnection he/she is considered a former customer.

conference the Company provided on June 20, 2013 an updated power point presentation which included the following statement:

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%.

The Office asserts that the Commission cannot find the potential for customers to be charged a 40% fee on bills, even delinquent bills, to be just and reasonable in result and in the public interest.

In the technical conference the Office had also expressed concern that giving so much discretion to the collection agency could result in discriminatory fees being charged i.e. some customers being charged a higher percentage fee than others. In the additional information provided on June 20 the Company attempts to address this concern as follows:

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.

The Office appreciates the Company's attempt to offer assurances regarding our concerns with customers receiving non-discriminatory treatment under the requested change. However, the Commission should require more information from the Company as to how this will be accomplished.

Although the Office views most of the provisions of the request as satisfactory allowing the collection agency to determine "reasonable fees" to assess customers is a fatal flaw and cannot be found to be in the public interest. The Office recommends that the Commission deny the Company's request.

## **Recommendation**

The Office continues to recommend that the Commission deny the Company's requested language change to Electric Service Schedule No. 3. The Company's proposal is not in the public interest for the following reasons:

- The proposal allows collection agencies to determine what level constitutes "reasonable costs," with the only cap on costs set at 40%, which would certainly be an unreasonable level.
- The proposal does not prevent discriminatory treatment of similarly situated customers.