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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

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Director

To: Public Service Commission

From: Office of Consumer Services
Michele Beck, Director
Gavin Mangelson, Utility Analyst

Date: June 19, 2017

Subject: Docket 17-057-T04

In the Matter of: The Application of Dominion Energy Utah for Approval of a Third-Party Billing Rate

On June 1, 2017 Dominion Energy Utah (Dominion or DEU) filed an application for a tariff modification with the Public Service Commission (Commission) that will allow third parties to utilize the Dominion bill and billing system to bill customers for service contracts provided by the third parties. The third parties must be authorized to operate as “service contract providers” by the Utah Department of Insurance, and eligible service contracts must be directly or indirectly related to utility services. The application was filed along with the Direct Testimony of Judd E. Cook, and supporting exhibits. The Commission held a Scheduling Conference on June 13, 2017.

During the Scheduling Conference Commission staff indicated that the proposed tariff was filed as a “T” docket, which is usually reserved for tariff filings that automatically go into effect after 30-days, unless the Commission rejects or suspends the proposed tariff. The Office of Consumer Services (Office) expressed its position that the proposed tariff should only become effective if the Commission finds that it is in the public interest, and not due to the elapse of 30 days. Therefore, a hearing date was set for June 29th to allow the Commission an opportunity to issue an order on the proposed tariff modification within the 30-day period.

Standard of Review

Opening a regulated utility bill to third parties is a significant policy shift and should not be pursued unless it is explicitly found to be in the public interest. As indicated above,

the Office believes that the changes in the proposed tariff are sufficiently significant that the tariff should not be allowed to go into effect by default, under the 30-day rule. Rather, the Commission should only approve the tariff if it can also make a finding that the tariff is in the public interest. The opinion of the Office is that the application, Direct Testimony of Mr. Cook, and supporting exhibits, provide adequate evidence for the Commission to make its determination.

Evaluation of the Proposal

The Office worked with Dominion in advance of the filing to provide feedback regarding specific tariff provisions to ensure that the proposal contained proper ratepayer protections, and a justifiable charge for the shared billing service that does not shift costs onto other ratepayers, among other issues.

Protections

The Office is concerned about protecting ratepayers from the types of issues that have arisen with third party billing in the telecom industry. These issues are commonly referred to as “slamming” and “cramming”, wherein customers are charged for services they do not want, and often do not immediately realize they are paying. To prevent these types of issues from occurring, Dominion will require that all participants be authorized as “service contract providers” by the Utah Department of Insurance in accordance with the Utah Code. Furthermore, eligible third parties must demonstrate that they have attained, and have record of, written or verbal permission from the customer. Additionally, contract service providers must allow customers to cancel at any time. Requiring the third parties to give customers the option to cancel is a particularly effective means of protecting ratepayers from potentially unscrupulous business practices. The evaluation of the Office is that the proposal will provide adequate protection to ratepayers. These protections are necessary for both those ratepayers who sign up for services from third parties, as well as for those who do not.

Dispute Resolution

If this tariff is approved, the bill for services from third parties will appear on customers’ utility bills. It is therefore reasonable to anticipate that some customers could misunderstand the role of the Commission as it pertains to the customer’s relationship

with the third party. A customer might attempt to initiate the dispute resolution mechanisms of the Commission or Division of Public Utilities (Division) to resolve issues that are not directly related to their utility service. Therefore, the Office asserts that it is necessary to include in the tariff a provision specifying to customers that any disputes that may arise with a service contract provider will need to be resolved with Dominion and/or the service contract provider. The tariff section under heading “Dispute Resolution” adequately satisfies this issue.

Rate Calculation

The Office has evaluated the calculations supporting the rate to be charged to third party “service contract providers” under this tariff and believes that the calculation reasonably captures the costs associated with producing and distributing bills, and that those costs are justifiably allocated to the rate. More importantly, it is the assessment of the Office that the third party billing service will not result in non-participating ratepayers absorbing additional costs associated with this new service.

The tariff specifies that the rate calculation will be updated annually. The Office agrees that an annual update will reasonably capture changes in applicable costs, and result in a rate that reasonably reflects relevant/up-to-date cost drivers. The rate calculation is presented in DEU Exhibit 1.2 and is reflected in the tariff under the heading “Rate”.

Benefits to Ratepayers

The Office does not believe that the proposed tariff is required to satisfy an immediate need for ratepayers, however the Office acknowledges that the proposal may create opportunities to defray billing costs by allowing third parties to share the cost of the utility bill and billing systems.

Affiliate Transactions and Comments from the Division

In Comments filed by the Division in this docket on June 16, 2017, the Division cites a previous Commission Order¹ which indicates that an affiliate transaction is one in which “the utility provides a product or service to an affiliate company”. The order

¹ Docket No, 99-057-20, Order dated Aug 11, 2000.

further states that such services must be charged the higher of cost or market price. The Office concurs that the proposal to offer third party billing services is intended, at least in part, to create a service relationship with an affiliate, and therefore the resulting transactions should be required to meet the pricing standard established for affiliate transactions.

Recommendation

The Office recommends that the Commission take the following action:

1. Approve the proposal to allow third party billing services.
2. Require Dominion Energy Utah to provide evidence demonstrating that the tariff meets the standard for affiliate transactions, i.e. higher of cost or market.

Copies to: Dominion Energy Utah
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Artie Powell, Energy Section Manager