



State of Utah

Department of Commerce
Division of Public Utilities

MARGARET W. BUSSE
Executive Director

CHRIS PARKER
Director, Division of Public Utilities

SPENCER J. COX
Governor

DEIDRE HENDERSON
Lieutenant Governor

Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Doug Wheelwright, Utility Technical Consultant Supervisor

Eric Orton, Utility Technical Consultant

Date: March 12, 2021

Re: **Docket No. 21-057-T03**, In the Matter of the Annual Calculation of the Third-Party Billing Rate and Request for Tariff Change.

Recommendation (Approve)

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) approve the updated tariff sheets for section 8.08 Billing for Other Entities provided by Dominion Energy Utah (Dominion).

Issue

In this application, Dominion informed the Commission that on August 27, 2019, it “entered into an agreement with Pinnacle Data Systems LLC for bill printing, inserting, mailing and electronic image hosting services.” Since bill printing is no longer performed by the Company, on June 24, 2020, it “paid for the removal of the aging printer and inserter.” Dominion’s Exhibit 1.01 proposes to show the costs of “the agreement with Pinnacle and the removal costs associated with the printer and inserter.” Exhibit 1.01 also shows the calculations for these new proposed

rates. Exhibit 1.02 includes the legislative version and the proposed final version of Section 8.08 of the Tariff.

Dominion also claims that “no readily discernible market exists from which to derive a market price for billing for other entities.” The Division does not disagree. The Division therefore, requests that the Commission approve the proposed Tariff change and rate with an effective date of April 1, 2021.

Background

On July 28, 2017, the Commission approved the third-party billing rate. The Order specified that “On or before March 1 of each year, the Company shall calculate the per-line rate and file a letter with the Commission reflecting the rate, to be effective on April 1 of each year.” On March 1, 2021, Dominion submitted its updated calculations for the per-line rate and a minimum charge per bill. On that same day, the Commission issued an Action Request to the Division directing it to investigate the application to provide analysis, evaluate results, and the basis for conclusions and recommendations regarding the tariff filing. Comments from the Division are due on or before March 16, 2021. Additionally, on March 2, 2021, the Commission issued a notice of Filing and Comment Period with comments due on or before March 16, 2021. This memorandum is the Division’s response to the Action Request and its comments.

Discussion

The Division notes that in 2019, Dominion outsourced the bill printing, inserting, mailing, and electronic image hosting to Pinnacle Data Systems. Exhibit 1.1 of Dominion’s application shows the calculations of certain billing costs Dominion proposes to charge for providing third party billing services. The Division has reviewed the calculations and has compared Exhibit 1.1 to the same exhibit filed last year in Docket No. 20-057-T02.

The specific changes for the new billing rate calculations are not readily comparable due to the different line items related to the third-party company providing the service. However, the totals are still relevant and the changes are as follows:

- Total Printing costs have increased.
- Total Inserter costs are about one half what they were last year.
- Postage costs increased a little less than a penny per mailing.
- Return on Investment is not a line item since this service is outsourced.
- Overhead per mailing dropped significantly.
- The Total Price per Piece went down.

The total number of paper billing mailings to customers continues to decrease. This year's decrease continues the trend and is more than twice the amount in the previous year. Beginning in 2017, there were an estimated 9,467,148 mailings sent out. In 2018, the total went down 116,306, and in 2019, the total went down 347,086. In 2020, the total went down 860,781, and is currently at 8,009,802 paper mailings. This trend could proportionally increase the fixed costs of sending out bills and thus the Third-Party Billing rate. However, that is not the case in this filing and the proposed new rate is lower.

The rates in Exhibit 1.01 are accurately reflected in the attached tariff sheets. The rate for the first 11 lines is currently \$0.16531, and the proposed requested rate is a decrease to \$0.14705. For each additional line above 11 lines, the current rate is \$0.01503 and the proposal would decrease that rate to \$0.01337. The proposed change would decrease the total minimum cost per piece from the current rate of \$0.52599 to \$0.46788 or about six cents less per piece. There is only one company (a sister company) that is using Dominion's third party billing services and benefits from this lower rate.

Conclusion

In reviewing the application, the Division investigated the application, and provides this analysis and evaluation results, along with the basis for its conclusions and recommendations regarding the tariff filing. Additionally, with regards to this topic the Division's objective is to ensure that the stated costs and benefits of third-party billing foist no burden, financial risk, or other costs onto ratepayers. Not detecting issues in this filing, and given that Dominion has now outsourced

the work, the Division recommends the Commission approve the updated tariff sheets filed and make them effective April 1, 2021.

Cc: Kelly Mendenhall, Dominion Energy Utah
Michele Beck, Office of Consumer Services