CL&P/YGS dba Eversource Energy and Aquarion Water
Docket No. 20-03-15

Data Request PURA-02

Dated: 04/02/2020
Q-EL-018
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Witness: **Lucy Teixeira, Daniel M. Traynor**
Request from: **Public Utilities Regulatory Authority**

Question:
(Fees and Interest)
a) Provide a detailed explanation of how the Utility currently applies late payment fees and interest charges.
b) Describe the Utility's costs associated with late or non-payments and collection. Explain whether the late payment fees and interest charges cover these costs.
c) State the average costs for a delinquent account by customer class. State the average total of fees and interest charges for a delinquent account.
d) Explain whether the Utility is considering changes to its late payment fees and interest charges to address the COVID-19 pandemic. If so, explain the changes and the planned duration of those changes.

Response:
a) PURA's regulation in Section 16-3-100(b)(3)(A) specifies the permissible interest rate for late payment charges for residential customers on amortization agreements, stating that, "When a reasonable amortization agreement has been made with a residential utility customer, the company may charge a rate of interest on the unpaid balance of that customer's delinquent account. This interest shall be simple non-cumulative interest, at the rate of 6% per annum or ½ of 1% per month."

The interest rate assessed to non-hardship, non-amortization late payments is evaluated and approved as part of the Authority's overall analysis of tariff terms and conditions in contested rate cases. For example, Section 6H of CL&P's PURA-approved tariff entitled, "Terms and Conditions of Delivery Service", states that "[t]he late payment charge shall be 1% of the unpaid balance, including prior late payment charges"; except that "[n]o late payment charge shall be applied to balances of residential customers who are hardship cases, or to so much of any balance as is disputed by a customer, or to a balance that is subject to an active amortization agreement, pursuant to the provisions of Section 16-3-100 of the Regulations of Connecticut State Agencies." The exact same text allowing a late payment charge of 1% interest—excluding residential hardship accounts and disputed balances, and applying the interest rate specified in Section 16-3-100 to residential customers on amortization agreements—appears in Section 4.6 of YGs' PURA-approved tariff entitled, "Rules and Regulations". Section (F)(1)(d) of Aquarion's PURA-approved tariff entitled, "Rules and Regulations", states "[a]ll delinquent accounts may be charged a 1.5% interest rate." Aquarion applies this late payment charge of 1.5% to outstanding balances over $25, that are over 34 days past due, and every 30 days thereafter if balance remains outstanding. This applies to all customer classes.

By way of comparison, for informational purposes, UI, CNG and SCG are authorized to charge a comparable late payment charge of 1.25%. Please see the Authority Decision dated December 19, 2018 in Docket No. 18-05-16: Application of Connecticut Natural Gas Corp. to Increase Its Rates & Charges, stating "[t]he Company also proposed to increase its late payment charge from 1% to 1.25% consistent with its affiliates, SCG and the United Illuminating Company. CNG stated that the increase to 1.25% would be a greater deterrent to late payers, who drive uncollectible expenses. The Company also provided its rationale and cost support for its proposed increase to the late payment charge. The Authority accepts the proposed tariff changes in the Application, and as modified by the Rate Settlement Agreement, subject to a revision of the rates to reflect the approved revenue requirement targets in each of the rate years."

b) Each company incurs costs to print and mail shutoff notices, for collections personnel to review accounts and make payment arrangements, for personnel to facilitate shut-offs for customers, and costs for third party debt collection agencies and legal counsel to collect late payments. The revenue Aquarion receives on an annual basis from late payment fees, "collect at the door" charges and service connection fees represent approximately 70% of the total operating costs for its Collections department. A comparable calculation for CL&P and YG is not available. The costs incurred by the Companies associated with late or non-payments and collection are included in the Companies' distribution cost of service approved by PURA from time to time. In the context of a base distribution rate case, the level of fees collected serves to reduce the portion of the distribution revenue requirement to be recovered through base rates. In other words, the fees serve as an offset to the cost of service for purposes of setting base distribution rates. Going forward, through function of the revenue decoupling mechanism, any amounts collected which are above or below the amount of fees that are assumed in the base rate case will be reconciled in the decoupling mechanism, such that the Companies will ultimately recover no more or no less than the overall approved distribution revenues as approved in the rate case. In addition, please see the companies response to Q-EL-20, which discusses, among other things, each Company's cash working capital requirements associated with the lag in customers paying their bills.

c) Aquarion's 2019 annual average fees per customer for all customer classes are noted in the chart below:

Aquarion Fee Type	2019 Avg. Fee
Collect at the Door	$ 47
Service Connection (reg. business hours)	$ 74
Service Connect (after hours)	$ 133
Late Payment	$ 17

Eversource's 2019 annual average late payment and reconnect fees by customer class for CL&P and YG are noted below:

Company	Customer Class	2019 Annual Avg. Late Payment Fees	2019 Annual Avg. Reconnect Fees
CL&P	Commercial	$ 35	$ 67
	Industrial	$ 141	$ 184
	Residential	$ 17	$ 89
YG	Commercial	$ 24	$ 406
	Industrial	$ 54	$ 1,112
	Residential	$ 22	$ 129

d) In response to the COVID-19 pandemic, CL&P, YG and Aquarion have already waived late payment fees for both residential and commercial customers. The Companies are committed to closely monitoring the situation and the impact of the COVID-19 pandemic and will work with key stakeholders to determine the duration of waived late payment fees.