

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

PUGET SOUND ENERGY,

Petitioner,

For an Order Authorizing Accounting and
Ratemaking Treatment of Fees for
Payments Made by Residential and Small-
Business Customers

DOCKET UE-160203 and
DOCKET UG-160204

ORDER 01

ORDER GRANTING AMENDED
ACCOUNTING PETITION

BACKGROUND

- 1 On February 12, 2016, Puget Sound Energy (PSE or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition requesting an order authorizing accounting and ratemaking treatment of fees for credit and debit card payments made by residential and small business customers (Petition). PSE seeks to defer, for later recovery in rates, the costs incurred to offer a fee-free program for its residential and small business customers, including customers who pay with a credit or debit card. On March 15, 2016, PSE filed an amended petition revising its proposed accounting treatment (Amended Petition).
- 2 Under the Company’s current practices, PSE customers who wish to pay their bills with a credit or debit card pay a \$2.00 fee directly to PSE’s third-party payment processor; PSE receives no portion of the fee.¹ No other standard forms of payment, such as money orders, checks, or cash, require customers to pay a “convenience fee.” Instead, the costs of processing these payments are recovered as a routine administrative expense through rates.
- 3 However, if PSE incurs the payment fees rather than customers, the Company will qualify to use the lower “utility rate” interchange rates assessed by payment networks such as VISA and MasterCard. The lower interchange rate will reduce the cost to \$1.50 per transaction. Access to this lower interchange rate requires demonstrating to payment

¹ In 2014, PSE was able to lower the convenience fee from \$4.95 to \$2.00. This was done in part by demonstrating to its payment processor that the payments made by PSE’s customers would be much cheaper to process than the payment processor originally anticipated.

networks that the utility is the entity incurring the costs of processing payments.

4 In order to achieve this method of cost-reduction for its card-paying customers, PSE seeks to defer the costs associated with processing these payments. Approval of the deferral would allow PSE to begin the fee-free program in August of this year. The total length of time in which deferred costs are anticipated to accrue is 18 months, based on an assumed rate-effective date of January 1, 2018, for PSE's next rate case.² PSE's next general rate case will include three elements related to a fee-free program:

1. Recovery of the deferred account balance that the company seeks to establish in this Petition;
2. A *pro forma* expense adjustment for recovery of the fees expected to be incurred during the rate year; and
3. A deferral account, separate from the one sought in this Petition, which will capture the difference between the fees set through rates and the actual fees incurred serving customers, due to an anticipated "ramp up" of card usage under a fee-free program.³

PSE has agreed to provide updates to the Commission every three months about the program's progress.

5 Staff recommends the Commission grant the Company's Petition and approve the proposed accounting treatment. Moving to a fee-free program would eliminate the \$2.00 "convenience charge" customers currently pay, and would instead result in the Company paying roughly \$1.50 per transaction for these same payments. Approval of a deferral will also allow the record to reflect known-and-measurable customer behavior under a fee-free program without exposing the company to large losses.

DISCUSSION

6 We agree with Staff's recommendation and grant the Company's Amended Petition. PSE's proposed accounting treatment would enable the Company to proceed with implementing a fee-free program for residential and small business customers paying by

² The proposal is for costs incurred up to the date rates are first established in the upcoming general rate case, or no later than January 1, 2018, whichever is sooner. PSE expects to file a general rate case no later than January 17, 2017.

³ PSE anticipates that usage rates will rise to 20 percent by 2019, as more customers become aware of a fee-free program.

credit and debit card at a lower cost for each payment processed. Accordingly, we find that the Amended Petition is consistent with the public interest and should be approved.

FINDINGS AND CONCLUSIONS

- 7 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.
- 8 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.
- 9 (3) WAC 480-07-370(1)(b), allows companies to file petitions, including the Petition and Amended Petition PSE filed in this docket.
- 10 (4) Staff has reviewed the Petition and Amended Petition in Dockets UE-160203 and UG-160204, including related work papers.
- 11 (5) Staff finds that PSE's Amended Petition is reasonable and should be granted.
- 12 (6) This matter came before the Commission at its regularly scheduled meeting on March 24, 2016.
- 13 (7) After reviewing PSE's Petition filed in Dockets UE-160203 and UG-160204, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Amended Petition should be granted.

ORDER

THE COMMISSION ORDERS:

- 14 (1) Puget Sound Energy's Amended Petition to defer, for later recovery in rates, the costs incurred to offer a fee-free payment program for its residential and small business customers, including customers who pay with a credit and debit card is granted.
- 15 (2) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs on any matters that may

come before it. Nor shall this Order granting Petition be construed as an agreement to any estimate, determination of costs, valuation of property claimed or asserted or to the possible recovery of, or return on, the amounts deferred to the regulatory asset.

- 16 (3) The Commission retains jurisdiction over the subject matter and Puget Sound Energy to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective March 24, 2016.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

ANN E. RENDAHL, Commissioner