

Agenda 12-17; Item No. 3D Draft Order for discussion at utility agenda.

THIS ORDER IS NOT A FINAL ORDER AND MAY BE SUBSTANTIALLY REVISED PRIOR TO ENTRY OF A FINAL ORDER BY THE PUBLIC UTILITIES COMMISSION OF NEVADA

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Investigation regarding security deposit options for service in Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy's service territories.

Docket No. 16-06011

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At a general session of the Public Utilities Commission of Nevada, held at its offices on June 28, 2017.

PRESENT: Chairman Joseph C. Reynolds
Commissioner Ann C. Pongracz
Business Process Analyst II Sabrena Cusick

[PROPOSED] ORDER

The Public Utilities Commission of Nevada ("Commission") makes the following findings of fact and conclusions of law:

I. INTRODUCTION

On June 15, 2016, at a regularly scheduled agenda meeting, the Public Utilities Commission of Nevada ("Commission") voted to open an investigatory proceeding regarding security deposit options for service in the service territories of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy ("NV Energy") (collectively, "NV Energy" or "the Companies".) This investigation has been designated as Docket No. 16-06011.

II. SUMMARY

The Commission approves the Report ("Report"), attached hereto as Attachment 1, and adopts its recommendations.

III. PROCEDURAL HISTORY

- On June 15, 2016, the Commission voted to open an investigatory proceeding regarding security deposit options for service in the service territories of NV Energy.

- This investigation is conducted pursuant to the Nevada Revised Statutes (“NRS”) and the Nevada Administrative Code (“NAC”) Chapters 233B, 703, and 704, including but not limited to NRS 703.150.

- The Regulatory Operations Staff (“Staff”) of the Commission participates as matter of right pursuant to NRS 703.301.

- On July 5, 2016, the Commission issued a Notice of Investigation, Notice of Request for Comments, and Notice of Workshop.

- On August 1, 2016 Angel De Fazio (“Ms. De Fazio”) filed Comments.

- On August 4, 2016, Staff filed Comments.

- On August 5, 2016, Comments were filed by: AARP Nevada (“AARP”); NV Energy, Ms. De Fazio for PUC Watch Dogs and the National Toxic Encephalopathy Foundation (“NTEF”); Fred Voltz (“Mr. Voltz”); and the Attorney General’s Bureau of Consumer Protection (“BCP”).

- On August 17, 2016, the Commission held a workshop. AARP, BCP, Staff, Mr. Voltz, and NV Energy made appearances. A procedural schedule and requests for additional information were discussed, and the workshop was continued to November 17, 2016. Exhibit Nos. 1-4 were received into the record.

- Also, the Presiding Officer directed the Participants to file, by August 26, 2016, a list of the questions and requests for information each participant had asked of NV Energy during the workshop.

- On August 26, 2016, Staff and BCP each provided a list of the questions and requests for information which they asked of NV Energy during the August 17, 2016 workshop.

- On August 31, 2016, the Commission issued Procedural Order No. 1, directing NV Energy to provide by October 7, 2016, detailed responses to of the questions and requests for information which were set forth in the Order.

- On September 22, 2016, counsel to NV Energy filed a letter confirming that NV Energy only had customer deposit data back to 2008, and stating that it would provide data only back to January 1, 2008 in its responses to the inquiries and requests for information and analyses included in Procedural Order No. 1.

- On October 4, 2016, counsel to NV Energy filed a letter stating that it would not be able to provide annual deposit data and analyses until October 14, 2016.

- On October 7, 2016, counsel to NV Energy filed its initial responses to Procedural Order No. 1.

- On October 14, 2016, NV Energy filed additional information in response to Procedural Order No. 1.

- On November 14, 2016, the Presiding Officer issued Procedural Order No. 2, inviting interested and affected persons participating in the investigation to file responses with the Commission to the questions set forth in the Order, by November 16, 2016.

- On November 16, 2016, Comments were filed by Mr. Voltz, NV Energy, BCP, Staff, and Ms. De Fazio.

- On November 17, 2016, Staff filed an errata to its Comments filed on November 16, 2016.

- On November 17, 2016, the Commission held a workshop. AARP Nevada, BCP, Staff, Mr. Voltz, Ms. DeFazio and NV Energy participated in the workshop. A procedural schedule and requests for additional information were discussed, and the workshop was continued to December 2, 2016. Exhibit Nos. 5-17 were received into the record.

- On November 28, 2016, Staff filed Supplemental Comments.

- On November 29, 2016, Supplemental Comments were filed by Mr. Voltz, NV Energy, BCP, and NTEF.

- Attachment A to the Supplemental Comments filed by NV Energy on November 28, 2016, listed stakeholder proposed revisions to NV Energy deposit rules and practices regarding:

- Deposit Warning on Bill
- Estimated Deposit on Bill
- Deposit Amounts and Return on Bill
- Bill Language
- Bill Format
- Deposit Waiver for Disability Benefits, SSA Benefits, Retirement Benefits, Veterans
- No Deposit on Late Paying Customers
- Immediately Use Deposit and Charge New Deposit
- Equal payment Plan
- 12 Payment Deposit Plan
- Five Payment Deposit Plan
- Four Payment Deposit Plan
- Self-liquidating Deposit
- Revise Tariff in Effort to Prevent "Payment Spiral"
- Sliding Scale Deposit Amount
- Update Equifax Credit Threshold
- New Customer Deposit Calculation
- Tariff-Provide more information on deposits

- SSA Debit Card
 - Credit and Debit Cards
 - End Deposit Waiver for Autopay
 - Require Immediate Payment of Estimated Final Bill
 - Personal Contact to Every Customer upon Delinquent Bill
 - Compress Timing on Issuance of Final Bill on Customer Move-Out or Service Termination and Bad Debt Write-Off
 - More Aggressive Collections
 - Flex Pay
- On December 2, 2016, the Commission held a continued workshop. AARP, Ms. De Fazio (NTEF), BCP, Staff, Mr. Voltz, and NV Energy participated in the workshop. Exhibit Nos. 18-24 were received into the record. The workshop was continued to a future date.
- On December 9, 2016, the Commission issued Procedural Order No. 3 requesting the Participants to submit a consensus document on the items on which the Participants had reached agreement with exceptions noted as needed, and a timeline for NV Energy's completion of its investigation remaining items, by December 19, 2016.
- On December 19, 2016, NV Energy submitted its initial response to Procedural Order No. 3, providing in Attachment 1 a copy of a proposed consensus document recommending expanding eligibility for waivers from new customer security deposit requirements, modifying NV Energy's bill format to include a deposit warning in large bold font, increasing opportunities for customer involvement in improving NV Energy's bill formats, and obtaining a recommendation from Equifax regarding updating the credit threshold NV Energy uses to evaluate a customer's credit rating. No Participant objected to this consensus document.
- On December 19, 2016, BCP filed a letter asking that NV Energy provide the Undated Equifax Credit Threshold Recommendation on or before January 31, 2017, rather than before March 31, 2017.
- On January 31, 2017, NV Energy filed its Response regarding proposed changes to bill language and data on late charges assessed in 2014 and 2015.
- On February 1, 2017, NTEF filed its response to NV Energy's January 31 response to the stakeholders' proposals.
- On March 15, 2017, NV Energy filed its responses regarding use of a sliding scale deposit amount and updating the Equifax credit threshold.
- On March 30, 2017, NV Energy filed further responses regarding deposit waivers, and changes to its final bill practices.
- On April 19, 2017, NV Energy filed a letter with responses to stakeholder proposals regarding additional information which could be included on customer bills and in the

Companies' tariffs, and use of credit and debit cards to pay customer deposits.

- On April 28, 2017, NV Energy filed a letter stating that one of the attachments to its April 19 letter inadvertently included a customer name, and asking the Commission to delete that page and replace it with a corrected version of the April 19 letter which does not include the customer's name.

IV. NV ENERGY SECURITY DEPOSIT INVESTIGATION

1. The Report provides the Commission with information regarding the issues involved in the Companies' current security deposit documentation, practices and procedures, and proposed solutions to current challenges in this aspect of the Companies' business.

2. The Commission finds that it is in the public interest to approve the Report and accept its recommendations.

THEREFORE, it is ORDERED that:

1. The Report, attached hereto as Attachment 1, is APPROVED AND ITS RECOMMENDATIONS ARE adopted.
2. The Commission Secretary is authorized to keep this Docket open for purposes of receiving compliance filings.

By the Commission,

JOSEPH C. REYNOLDS, Chairman

ANN C. PONGRACZ,
Commissioner and Presiding Officer

Attest: _____
TRISHA OSBORNE
Assistant Commission Secretary

Dated: Carson City, Nevada

(SEAL)

DRAFT

ATTACHMENT 1

DRAFT

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

Investigation regarding security deposit options for)
service in Nevada Power Company d/b/a NV Energy)
and Sierra Pacific Power Company d/b/a NV Energy’s)
service territories.)
_____)

Docket No. 16-06011

REPORT ON SECURITY DEPOSIT OPTIONS FOR SERVICE IN THE SERVICE TERRITORIES OF NEVADA POWER COMPANY D/B/A NV ENERGY AND SIERRA PACIFIC POWER COMPANY D/B/A NV ENERGY

I. INTRODUCTION

On June 15, 2016, at a regularly scheduled agenda meeting, the Public Utilities Commission of Nevada (“Commission”) voted to open an investigatory proceeding regarding security deposit options for service in the service territories of Nevada Power Company d/b/a NV Energy d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy (collectively, “NV Energy” or “the Companies”). This investigation has been designated as Docket No. 16-06011.

II. SUMMARY

This Report provides recommendations regarding security deposit options for service in NV Energy’s service territories.

III. PARTICIPANTS’ POSITIONS

Comments, Responses, and supporting materials were submitted in this proceeding through April 28, 2017 by: NV Energy, the Commission’s Regulatory Operations Staff (“Staff”), the Attorney General’s Bureau of Consumer Protection (“BCP”), AARP Nevada (“AARP”), Angel De Fazio, for PUC Watch Dogs and the National Toxic Encephalopathy Foundation (“NTEF”) (“Ms. De Fazio”), and Fred Voltz (“Mr. Voltz”) (collectively, “the Participants”); and the Participants participated in meetings supplementary to the workshop process to attempt to achieve consensus on changes to be made to NV Energy’s security deposit options.

The Participants agreed upon four major reforms of the Companies’ security deposit practices:

- Expanding eligibility for waiver from the new customer security deposit requirement, to include recipients of federal or state disability benefits, recipients of Social Security benefits, recipients of other retirement benefits, active military members, and U.S. veterans;

- Modifying NV Energy's bill format to include a deposit warning in large bold font;
- Continuing to work with Staff on potential improvements to its bill format and security deposit practices and procedures, expanding this collaborative process to include BCP, and to accept and evaluate bill format improvement proposals raised in consumer sessions; and,
- Obtaining an updated recommendation from Equifax on the current 890 deposit threshold used to determine whether a security deposit will be applied to a new customer.

Staff's Position

General Statements

Staff supports this investigation of security deposit options. After reviewing NV Energy's tariff provisions on security deposits, and conferring with Commission personnel who address consumer complaints, Staff recommends certain changes to the Companies' security deposit practices. In addition to supporting the consensus items, staff recommends the Commission consider offering low income and elderly customers' flat rate or discounted rate security deposits and extended payment plans, and also consider whether deposits should only be assessed after a customer is disconnected for nonpayment. (Staff August 6, 2016 Comments at 5.)

Consensus Items

Staff recommends that security deposits be waived for new customers who are elderly, disabled, or receive benefits from the Social Security Administration or other retirement plans, active military and customers receiving VA benefits for disability. (Ex. 8; Ex. 9 at 3-4; Tr. at 270-271.)

Staff also recommends that the Commission require NV Energy to include, in larger font size, an estimated deposit amount warning on the bill, prior to the bill on which a deposit is applied, along with contact information of the Companies' customer service representatives. Staff further recommends that the estimated deposit be placed on the second late payment notification. (Ex. 8; Ex. 9 at 2-3; Tr. at 268-269.)

Staff participated in workshop discussions regarding how best to obtain consumer input on bill format and security deposit questions. Staff pointed out that NV Energy's annual fall general consumer sessions in Northern Nevada and Southern Nevada present an opportunity for public discussion regarding bill format issues. Staff noted that the notice for the consumer sessions could be augmented with language providing specific notice that the session would include discussion of NV Energy's bills and allow consumers to make concrete recommendations regarding bill format prior to or during these consumer sessions. (Tr. at 432-

434.) Staff further states that there are no current requirements for quarterly consumer sessions. (Tr. at 440.)

Equifax

Regarding NV Energy's use of Equifax credit data, Staff thinks there is value in NV Energy obtaining additional, more recent data and bringing that data to the Participants in order to move forward with determining whether it would be appropriate to make changes in the companies' use of credit data. (Tr. at 423.)

Flat Rate Security Deposit

Staff recommends replacing the current system based on historical premise usage with a flat rate deposit system under which customers pay an initial flat rate deposit, with subsequent deposits based on the individual customer's usage at that premise. (Staff August 4, 2016 Comments at 1-4.)

Staff questions whether implementation of BCP's recommendation of a flat rate security deposit of \$100 for customers who live in a single family residence and \$50 for customers who live in a multi-family residence would increase NV Energy's write-offs due to non-payment. (Tr. at 259-260, 300.)

Payment-Disconnect Spiral

Staff further recommends changes to the Companies' tariffs to limit the "payment – disconnect spiral", specifically the addition of the following language: "A customer who has not been required to provide a deposit may be required to provide a deposit if the customer's credit has become unsatisfactory (NAC 704.328(4)(b)). The utility shall notify the customer before assessing a deposit, and shall provide information to the customer on avoiding the deposit requirement." (Ex. 8; Ex. 9 at 4; Tr. at 271-273.)

Staff also proposes to add the following underlined phrase to NV Energy's existing tariff language to address the "payment-disconnect spiral issue":

A customer who has not been required to provide a deposit may be required to provide a deposit if the customer's credit has become unsatisfactory (NAC 704.328(4)(b)). The utility shall notify the customer before assessing a deposit, and shall provide information to the customer to assist the customer in retaining satisfactory credit and avoiding payment of a deposit." (Staff November 17, 2016 Errata to Comments at 1.)

Staff asks whether NV Energy is "screening for customers who have essentially aged into the elderly category." (Tr. at 12.)

Increased Flexibility

Staff also supports evaluation of the extent of flexibility offered by NV Energy’s deposit options, including extended payment plans and whether deposits should be applied only after a customer is disconnected for non-payment. (Staff August 4, 2016 Comments at 4, 5; Tr. at 273-278.)

BCP’s Position

General Statements

BCP points out that security deposits are an important issue, quoting “onerous security deposit provisions merely increase the overall cost of utility service and in some cases make obtaining service nearly impossible” from “National Energy Assistance Directors’ Association Public Service Commission Consumer Protection Rules and Regulations, A Resource Guide”, by John Howat and Julia Devanthy, at 6 (July 2006.) BCP questions whether security deposits are necessary, further stating that deposit requirements present formidable barriers to low income households. (BCP August 5, 2016 Comments at 1, 4, 6.)

BCP provides data regarding NV Energy’s application of security deposits, noting that, in 2015, 16% of Sierra’s customers and 19% of Nevada Power’s customers were required to provide a deposit. (Tr. at 27.)

If security deposits are to continue, BCP recommends strongly that customers receiving payments from the Security Administration and other retirement plans be exempted. (Tr. at 16.) BCP thinks NV Energy should provide additional outreach and special assistance to elderly and disabled customers, and provided protocols for these activities. (See Tr. at 19.) BCP recommends NV Energy reconsider whether there are ways to ensure that elderly customers benefit from the security deposit exemption without relying upon self-identification (Tr. at 21, 25), and consider providing information regarding the Universal Energy Charge to customers at the time they initially apply (Tr. at 22.)

Equifax

BCP questions NV Energy’s use of credit scores, suggesting the Companies utilize a “sliding scale” to ensure that customers with better credit are charged a partial amount of the security deposit. (Ex. 10 at 2; Tr. at 264-266; Ex. 22 at 1, 2.) BCP recommends the following:

Equifax Score Range	Proposed Tiers	% of Deposit	Deposit Required
890-999	Excellent Credit	0%	\$0.00
780-889	Good Credit	70%	\$147.57
670-779	Fair Credit	85%	\$179.20
0-670	Bad Credit	100%	\$210.82

Flat Rate Security Deposit

BCP also recommends changing to a flat rate security deposit of \$100 for customers who live in a single family residence and \$50 for customers who live in a multi-family residence. (BCP Comments at 7-8; Tr. at 24, 31, 257, 259; BCP November 14, 2016 Supplemental Information at 2-3.)

Payment-Disconnect Spiral

Like Staff, BCP is concerned that “Deposits can drive some customers into a recurring and unmanageable cycle of debt.” BCP suggests supplementing the options currently available under the Consumer Bill of Rights by exploring options such as: allowing more than three months to pay deposits, and tailoring payment plans to the capabilities of individual customers. (BCP August 5, 2016 Comments at 7.)

Increased Flexibility

BCP supports increased flexibility in application of security deposits and more alternative deposit methods, such as allowing customers to pay arrearages over time in multiple monthly payments, extending the amortization period beyond three months, and use of a “self-liquidating deposit”.

Bad Debt Expense in Rate Cases

BCP also provided data showing that, while Nevada Power’s bad debt expense is comparable to others in the industry, Sierra’s is “well below industry average”. (See Exhibit 14; Tr. at 259.) BCP recommends that NV Energy should lower the percentage of revenue which is expensed and reimbursed for bad debt in future rate cases (Ex. 10 at 3.), and that the Commission “authorize a lower percentage of debt expense into rates” to reflect this data. (Tr. at 260.)

AARP’s Position

General Statements

AARP supports affordable access to utilities for all residential ratepayers. AARP is concerned that application of security deposits may create hardships and notes that some states have eliminated up-front security deposits and only apply security deposits in the case of non-payment or late payments.

AARP recommends elimination of pre-service deposits for residential ratepayers. AARP states “There is no compelling evidence that shows that deposits reduce the bad debt accumulated by a utility company.” (AARP August 5, 2016 Comments at 1- 2; Tr. at 417-418.)

AARP states that the use of credit scores for determining whether security deposits are appropriate is not accurate and may not predict customers’ ability or willingness to pay; and further believes that there is no compelling evidence that security deposits reduce utility bad debt. (AARP August 5, 2016 Comments at 1, 2.)

AARP further states that the introduction of the new flex-pay program is a reason to eliminate pre-service deposits for residential customers. (AARP August 5, 2016 Comments; Tr. at 34-39, and 407-410.)

Consensus Items

AARP states that an actual consumer should be included in dialogues with NV Energy, Staff and BCP, regarding potential improvements to utility bill format. (Tr. at 381-383, 391-393, 434.) AARP indicated that its members would be willing to participate in consumer session discussions of bill format issues, if they were included in the notice for the Companies' annual fall general consumer sessions in northern and southern Nevada, as suggested by Staff. (Tr. at 434.)

Ms. De Fazio's Position

General Statements

Ms. De Fazio seeks to expand eligibility for exemption from new customer security deposits to include disabled persons including individuals who have applied for, but not yet received disability benefits. (De Fazio August 5, 2016 Comments, at 1, 2; Ex. 23 at 1-2.)

Ms. De Fazio also states that any plans made regarding security deposits should look at the impact of implementation of Flex Pay. (Tr., at 280, Ex. 23 at 4-5.) She states that Equal Payment Plan participants should be permitted to pay the security deposit in the same four month period. (Ex. 23 at 3.)

Consensus Items

Ms. De Fazio states that anyone who is on disability is entitled to the same deposit reduction as a senior (De Fazio July 31, 2016 Comments at 2-4; De Fazio August 5, 2016 Comments at 1, 2) and that customers on disability should be classified as "receiving retirement benefits." (Ex. 11 at 1.) She also raises the possibility that a customer who has applied for, but not yet been approved for, disability status should be eligible for exemption from security deposit requirements. (Tr. at 216-222, 413, 414; Ex. 23 at 2.) Ms. De Fazio also suggests that the Commission could require every ratepayer to make a onetime payment of \$1.00 for one year for deposit assistance of seniors and disabled customers. (Ex. 11 at 2.)

Regarding bill format, Ms. De Fazio is opposed to the use of focus groups and supports use of consumer sessions, although she recommends these sessions be held quarterly rather than annually. (Ex. 23 at 1, Tr. at 438.)

Equifax

Ms. De Fazio questions how NV Energy applies credit scores (Tr. at 198.) She also asks whether NV Energy could allow customers to pay security deposits on a debit card (Tr. at 206, 208-209.)

Flat Rate Security Deposit

Ms. De Fazio states that “using historical data usage [to determine the deposit amount] is not fair/equitable and is not in the public interest, and that security deposits should be set at a flat rate. (De Fazio July 31, 2016 Comments at 1-2; Ex.11 at 1-2.) Ms. De Fazio recommends that the Commission direct NV Energy to replace its use of historical data with a flat rate security deposit of \$150 for a single family home and \$125 for a multi-family unit. (Tr. at 181, 283; Ex. 23 at 3-4.) Ms. De Fazio recommends that a customer’s historical data may be used instead of the flat rate security deposit if the customer has been in the premises for over six months (Tr., at 284.) She further suggests that the flat rate security deposit be applied in the following manner: 25 percent paid within five days, and then four additional months to pay the rest of the security deposit. (Tr. at 282-284.)

Increased Flexibility

Ms. De Fazio supports: Allowing Equal Payment Plan participants to pay deposit as part of the plan, in the same four month period; Allowing customers, upon initiation of service, within five days, to pay 25% of the deposit, the spread it out over four more months; Use of SSA debit cards to pay deposits and autopay monthly bills; and integration of Flex Pay program’s features into the deposit program. (Ex. 23 at 3-4.);

NV Energy Employee Issues

Finally, Ms. De Fazio suggests that NV Energy needs to consider whether its employees have too much latitude in applying its tariff (Tr. at 346, 347), and recommends that NV Energy take a more aggressive approach to collections, including training its employees to file in small claims court. (Tr. at 285-286.)

Fred Voltz’s Position

Consensus Items

Mr. Voltz supports expanding the term “senior” to include blind, disabled and other customers receiving government benefits. (Voltz August 5, 2016 Comments; Tr. at 41-46.) Mr. Voltz opposes use of an income threshold as grounds for exemption from deposit requirements. (Tr. at 412) Mr. Voltz opposes adding an exemption from security deposits for customers who fall below a specified income level, because this could add too much time, and because it could cause a security breach. (Tr. at 413.)

Equifax

Mr. Voltz recommends that NV Energy obtain additional information from Equifax regarding whether the Companies should take a different approach to its use of credit data, provided that doing so would only result in a “de minimis” expense. (Tr. at 424.)

In addition, Mr. Voltz questions NV Energy’s use of credit scores in applying security deposits, and questions NV Energy’s billing accuracy. He also asked for additional data regarding the Companies’ security deposit practices and a flow chart of their procedures. Mr. Voltz recommends that the Companies establish automatic monthly charges to credit cards for payment of security deposits and other billings. (Voltz August 5, 2016 Comments; Tr. at 40, 46-49, 199, 202, 288, 358-359; Ex. 12 at 3; Ex. 24 at 1, 2.) Further, Mr. Voltz suggest that the Companies stop exempting customers from deposit requirements when they sign up for automatic payment (Tr. at 286-287.)

Flat Rate Security Deposit

Mr. Voltz recommends application of a flat rate security deposits, applied to single-family homes and apartments/condominiums, and objects to the current calculation of security deposits based on someone else’s lifestyle and history. (Voltz August 5, 2016 Comments at 3.)

Increased Flexibility

Mr. Voltz proposes a number of changes to NV Energy’s security deposit provisions, including: changing from monthly to bi-weekly billing, changing to a flat rate deposit; creating a separate revolving fund for temporary deposit assistance for low income customers, paid for by a \$1 fee assessed twice yearly on all NV Energy customers, which would be repaid by the receiving customer over time; and extending the time for payment from 15 days to 20 or 25-28 days.

Mr. Voltz recommends that NV Energy list all deposits held on customer bills each month and specify conditions for refunding deposits (Tr. at 286.)

Mr. Voltz also asks if NV Energy could consider adding an exemption from security deposit requirements for new NV Energy customers who produce a letter from their former utility stating that they had a satisfactory credit history with that utility. (Voltz August 5, 2016 Comments at 1.)

More Aggressive Billing and other recommendations

Mr. Voltz recommends that the Companies adopt a more aggressive schedule for payment of final bills (Tr. at 289-291), but also recommends that the Companies reconsider their application of deposit requirements to customers who pay their bills late on a regular basis. (Tr. at 359.)

Mr. Voltz also recommends that NV Energy bill its customers twice monthly, to correspond to customers’ pay days. (Voltz August 5, 2016 Comments at 2.)

Finally, Mr. Voltz recommends the creation of a separate, revolving fund for low-income customers, funded by a \$1 fee applied twice a year for one to two years. (Voltz August 5, 2016 Comments at 3.)

NV Energy's Positions

General Statements

NV Energy points out that there are two types of security deposits: (1) New Customer Security Deposits and (2) Deposits for existing customers that have a late payment, disconnection or bounced payment. NV Energy believes that its current residential deposit rules are more lenient than those of other businesses, and that they appropriately balance the interest of individual customers who may need assistance with their security deposits, with the interests of other customers who help to pay for such assistance. (Ex. 20 at 2-3.)

NV Energy provided data showing that a customer's security deposit covers only about one-third of the amount of the bill left unpaid by a defaulting customer. (Ex. 20 at 2-3 (citing Ex. 15 at 17-18).) NV Energy also notes that "the deposit paid by a residential customer is limited to 150% of the customer's average monthly bill", and states that the 150% cap results in under-recovery, especially due to higher customer bills in summer months, the customer's receipt of 45-60 days of energy service before paying their bill; and restrictions on terminating service to non-paying customers during high and low temperature months. (Ex. 20 at 2-4.)

NV Energy further states that "NV Energy's current deposit rules are doing what they are intended to do – mitigate financial impact of unpaid customer bills by providing funds that can be applied to the amount a customer leaves unpaid." (Ex. 20 at 3.)

Consensus Items

NV Energy agreed to implement the four proposed changes on which Participants reached consensus which are set forth at III above (NV Energy December 19, 2016 Response, Attachment 1), and implemented the expanded waivers from new customer security deposit requirements before being required to do so.¹

Equifax

NV Energy also agreed to obtain an updated recommendation from Equifax on the appropriate threshold to apply for evaluating customer credit under the Advanced Energy Risk Assessment Model, and to report back to the Commission and the Participants regarding this recommendation (including itemization and explanation of any proposed changes.) (NV Energy December 19, 2016 Response at 6-7.)

¹ NV Energy implemented this item, by filing on March 30, 2017, Advice Letters 476 (Nevada Power Company), 593-E (Sierra Pacific Power Company – Electric), and 323-G (Sierra Pacific Power Company – Gas), to implement these changes. (3/30/2017 Letter at 1.) The Commission approved these tariff amendments at its meeting on May 31, 2017

Flat Rate Security Deposit

Regarding the proposed change under which a flat rate security deposit would replace the Companies' current reliance on data regarding historical usage at the premises, NV Energy's counsel Christopher Hilén pointed out at the first workshop in this proceeding that a flat rate deposit "would be easier to administer." He stated further that "a flat deposit that's the same for every new premise that someone moves into or a flat deposit for every customer that moves in, if you, instead of using past usage at an existing premise you simply, again, apply \$100 or \$200, that does offer simplicity. It would mean our customer service representatives have to spend less time going through this process. I believe our customer service representatives would probably receive fewer phone calls in total, because as Staff has pointed out, customers often are not happy with the deposit amount that has been calculated for the premise that they are moving into. It would probably save Staff some resources, too, because they would have fewer calls to field on this subject." Mr. Hilén also noted, however, that use of a flat rate deposit could have "less precision, less accuracy." (Tr. at 126-127.)

In Exhibit 4, NV Energy states that application of a flat \$100 residential service deposit would have resulted in NV Energy writing off an additional \$1,421,020.50 for Nevada Power and an additional \$122,847.45 for Sierra Pacific. NV Energy points out that changing to a flat rate security deposit would require system changes (Tr. at 300.) NV Energy asked for consideration of what level of revenue should a flat rate security deposit cover in order to mitigate risk, giving as examples flat rates equal to two, three or four months, or an average of peak season usage. (Tr. at 301.) NV Energy states that the average bill for its customers is \$142-147 in southern Nevada and \$71-80 in northern Nevada. (Tr. at 307.)

NV Energy also clarified that a current NV Energy customer who has an acceptable credit history with the Companies, who moves to a different premises within NV Energy's service territory, is not assessed a new customer security deposit unless they have a new nonpayment problem. (Tr. at 310)

Later in the proceeding, Mr. Hilén, while acknowledging that the current system may not always be accurate, also stated that NV Energy believes that the current method based on prior usage at the premise is more accurate than use of a flat rate. (Tr. at 298-299.) On a related point, Mr. Tilmon suggests that further research should be performed before changing to a flat rate. (Tr. at 300-306.)

Increased Flexibility

NV Energy opposes the proposal to change its procedures to allow for use credit and debit cards for payment of deposits and autopay of monthly bills, at this time, but states that it is planning to conduct a request for proposal for phone and website credit and debit card payments in the near future (NV Energy December 19, 2016 Response at 4; NV Energy April 19, 2017 Letter at 3.)

NV Energy opposes the other proposals for changes to its security deposit practices and documentation. Regarding the proposal to require immediate payment of estimated final bill by terminating customer, NV Energy asserts that this proposal is “inadvisable” and “unworkable”, that it “would violate the Customer Bill of Rights”, and that “it would not promote good customer service.” (NV Energy March 30, 2017 Letter at 2.)

NV Energy opposes the proposal that it should add the estimated amount of the deposit (or range of possible deposit) to the bill on which the customer is notified that a deposit will be charged if the customer has one more late payment; and that NV Energy add to customer bills the currently held deposit as well as the date and conditions under which the customer’s deposit will be refunded. NV Energy has studied the cost and time that would be required to implement these proposals, and, based on these analyses, declines to implement them at this time. (NV Energy April 19, 2017 Letter at 1-2.)

NV Energy also opposes proposals to provide a longer period of time for payment of deposits for customers who are already deemed to be a credit risk. (Tr. at 297-298.)

NV Energy is revising its processes to implement Participants’ proposals to reduce by one week the time available for payment of final bills, and is reviewing whether to also reduce the 30-day pre-collect period by one week. (NV Energy March 31, 2017 Letter at 3-4.)

Customer Communications

NV Energy also declines to change the language of Rules 12 and 13 of its tariff which governs the assessment of deposits. However, NV Energy agrees to create a set of Frequently Asked Questions (“FAQs”) explaining its security deposit practices, which will be provided to customers and posted on the NV Energy website at <https://www.nvenergy.com/home/customer-care/faqs.crfm>, and updated in the future. (NV Energy April 19, 2017 Letter at 2-4.)

NV Energy points out that they maintain an e-mail address to receive feedback from customers regarding their bills, which is located at newbill@nvenergy.com. (Tr. at 440.)

IV. DISCUSSION

A. Introduction

The Commission recognizes that application of security deposits increases the overall cost of utility service which can create an obstacle to low income customers obtaining utility service. The Commission further recognizes that a substantial number of Nevada customers are low income. As BCP pointed out “The total number of Nevada individuals living below the 150% of poverty threshold for energy assistance eligibility is 750,000 or 26.6% of Nevada’s population of 2,819,000.” BCP further notes increasing numbers of low income households in Nevada, combined with competing demands for Nevada’s Energy Assistance Program and the unpredictability of federal support for energy assistance programs. (BCP August 5, 2016 Comments at 5-6 (quoting 2014 U.S. Census data)). Taken together, these factors make it very

important to ensure that NV Energy's security deposit requirements are reasonable and as affordable as possible.

At the same time, the Commission recognizes that, as NV Energy points out "Deposits mitigate the cost of bills that some customers do not pay. Bills that are not paid by a customer and are not offset by a deposit previously paid by that customer must be written off by the utilities. The total amount of those write-offs ("Uncollectibles") are recovered from all other customers. In a system in which the utility is required by law to provide service to everyone who requests it, and the customer pays 0% of the service cost in advance and does not pay for the service provided for two months deposits are the only way to mitigate Uncollectibles and the shifting of those costs to other customers." (Ex. 20 at 2.)

The Commission appreciates the Participants' efforts in this proceeding to provide information that assists in the Commission in continuing to refine its policies on utility security deposits in a manner which helps low income customers afford utility services, without unduly burdening the Companies' other customers.

B. Consensus Items

Expansion of Eligibility for Waivers from New Residential Customer Security Deposit Requirements

Staff, BCP, AARP, Ms. De Fazio, Mr. Voltz and NV Energy provided extensive input regarding the problems which customers can experience in dealing with security deposit requirements, and regarding potential solutions to those problems.

The most significant problem the Participants identified was the prior limits on eligibility for waivers from new customer security deposits. There was confusion regarding whether customers who received benefits from a retirement plan other than the benefits provided by the federal Social Security Administration, and customers who received disability benefits, were eligible for this waiver. These problems were discussed extensively in written comments and during workshops.

The Commission commends the Participants for working together constructively to address this problem in a comprehensive fashion by modifying the Companies' tariffs to include explicit waivers from the new customer security deposit requirement for recipients of federal or state disability benefits, recipients of Social Security benefits, recipients of other retirement benefits, active military members, and U.S. veterans. NV Energy already implemented this item on March 30, 2017, when it filed Advice Letters 476 (Nevada Power Company), 593-E (Sierra Pacific Power Company – Electric), and 323-G (Sierra Pacific Power Company – Gas.) The Commission approved these tariff amendments at its meeting on May 31, 2017.

Deposit Warning on Bills

The Commission also commends the Participants for coming to agreement to include a security deposit warning on the Companies' customer bills in large bold font.

Improvements to Bill Format

Here, too, the Commission commends the Participants for engaging in constructive discussions regarding the process for providing customer input on NV Energy's bill format, which resulted in the agreements to invite a wider range of entities, including BCP, AARP, and other consumer advocates to participate in the ongoing collaborative review with the Companies and Staff, of proposed improvements to the Companies' bill format and security deposit practices and procedures. The Commission particularly appreciates the recommendation of Staff to expand the notice and agenda of the Companies' consumer sessions to include receipt of customer input on bill format and security deposit issues.

In addition to discussing improvements to the process followed to obtain customer input on NV Energy's bill format, the Participants discussed several other bill format issues including a proposal to require an estimated deposit range to be generated and presented on the bill with the third late charge in a twelve month period, and a proposal to add the deposit held amount as well as the date/conditions of deposit refund to the NV Energy bill.

NV Energy reviewed both of these bill format issues internally with information technology staff and determined that implementing them would be technically complex, costly and time consuming, in ways that are detailed in NV Energy's letter filed on April 19, 2017, which was updated on April 28, 2017. The Commission deems that there is not sufficient evidence in the record of this proceeding to support recovery of the expense of making these bill format changes at this time.

C. Equifax

Staff BCP, Ms. De Fazio and Mr. Voltz all expressed concerns regarding how the Companies utilize Equifax credit information in applying security deposits. BCP characterizes the Companies' current approach as an "all or none" approach because all new customers with an Equifax utility credit score of 890 or above are exempted from paying security deposits, and all new customers with an Equifax utility credit score of 890 or above are subject to paying security deposits.

BCP recommends replacing this "all or none" system with a "sliding scale", which would set the amount of the security deposit for each individual new customer based upon that customer's credit score. As an example, BCP suggested that a new customer in the 700-799 range would be assessed 85% of the deposit. (Tr. at 260-266.) BCP does acknowledge that "there is a trade-off as far as the amount of deposit and the amount of bad debt associated with that."

NV Energy agrees that it would be useful to have Equifax perform a new analysis and provide an updated recommendation on the appropriate threshold for Equifax Advanced Energy Risk Model, which may propose to decrease or increase the current threshold. In addition, NV Energy agreed to attempt to provide more detailed information to Participants regarding the NV Energy customers who caused the Companies to experience a write-off in 2013, 2014, and 2015, and the amount of their default, grouped in 100 point tiers. This analysis will include only

customers for whom NV Energy generated an Equifax Advanced Energy Risk Model credit score. (NV Energy April 19, 2017 Letter at 3, updated 4/28/17.)

The Participants' discussions of Equifax data in the course of this proceeding it became clear that it was necessary to obtain updated information from Equifax prior to making any major changes in the Companies' approach to utilizing customers' credit rating under the Advanced Energy Risk Assessment Model. Therefore, the Commission requires NV Energy to obtain from Equifax updated data regarding the Companies' use of the Equifax credit threshold NV Energy to evaluate a customer's credit rating under the Advanced Energy Risk Assessment Model, and to provide a report to the Commission and the Participants regarding recommended changes (including itemization and explanation of any proposed changes), by September 1, 2017. Participants shall advise the Commission by October 15, 2017 regarding whether they seek to propose in this docket changes to the Companies' use of the Equifax credit threshold.

In addition, NV Energy shall provide to the Participants by September 1, 2017, its analysis of the NV Energy customers who caused the Companies to experience a write-off in 2013, 2014, and 2015, and the amount of their default, grouped in 100 point tiers. This analysis will include only customers for whom NV Energy generated an Equifax Advanced Energy Risk Model credit score.

D. Flat Rate Security Deposit

The Commission declines at this time to replace the current calculation of new customer security deposit based upon usage of the prior resident, with a flat rate security deposit. On the one hand, there is an obvious inequity in requiring new residential customers to pay a security deposit based upon the energy usage pattern of the customer who previously resided at their address, which may well have no relationship to the energy usage pattern of the customer paying the deposit.

On the other hand, the Companies presented data showing a potential impact to other customers of millions of dollars which could result from a change to a flat rate, which was not rebutted by other Participants. And, while several Participants noted that it may make sense to have a different flat rate for different parts of this State, the Participants did not agree upon the specifics.

Therefore, the Commission seeks to develop a better understanding of potential risks and potential opportunities which would result from changing to a flat rate, by NV Energy to file a report in this docket by October 15, 2017, regarding the costs increases, cost savings and other impacts that would result from a change to a flat rate new residential customer charge.

E. Payment-Disconnect Spiral

As Staff points out, tariff language can be confusing. And, under current conditions, there is a risk of a "payment – disconnect spiral" in which customers can face the risk of additional security deposits when missed payments result in late charges that reduce the customer's credit score. To remedy this problem, Staff asks to change the current system so late

customers would not be charged a service deposit even though they were assessed late charges four times in a twelve month period. (Ex. 8 at 5.)

The Commission understands Staff's concerns here. However, Staff did not provide evidence to rebut the Companies' position that a late paying customer poses a higher risk of non-payment than a customer who pays his/her bills on time. Moreover, NV Energy showed that it is not clear how the Companies could implement such a change accurately, pointing out that "If NV Energy is required to wait until a customer stops paying their bill to assess a deposit, no deposits will be collected, because once that point is reached, the customer, by definition, has stopped paying." (NV Energy January 31, 2017 Letter at 2-3.)

While the Commission does not accept Staff's proposed revised tariff language at this time, it would be helpful to receive data regarding the late fees that have been paid in the past two years and the number of customers who have been charged late fees in the past two years. The Commission directs the Companies to provide this data by October 15, 2017.

F. Increased Flexibility

The Commission understands the interest of certain Participants in proposals which they believe would improve low income customers' access to utility service such as: No Deposit on Late Paying Customers; Equal payment Plan; 12 Payment Deposit Plan; Five Payment Deposit Plan; Four Payment Deposit Plan; Self-liquidating Deposit; and, Revise Tariff in Effort to Prevent "Payment Spiral". However, there is not sufficient evidence in the record to show that implementation of these items would achieve the proper balance between helping low income customers afford utility services, and not unduly burdening the Companies' other customers. As NV Energy points out, "Reducing the deposit amount or increasing the number of months over which a deposit is paid would further decrease the amount of deposit on file to cover an unpaid bill. That would increase Uncollectibles and thereby shift increased costs to other customers." (Ex. 20 at 3.) Therefore, these items will not be approved at this time.

The Participants also discussed another way to increase customer flexibility regarding security deposit payments, which is for NV Energy to accept credit and debit card payments (Tr. At 350), including payments utilizing the SSA debit card. (Tr. at 208.) The potential costs and benefits of accepting credit and debit card payments, are not developed fully in the record of this proceeding. However, NV Energy has informed the Commission that it is in the process of conducting a competitive solicitation process for phone and website credit and debit card payments. The Commission will direct NV Energy to complete this solicitation process and report to the Commission on its results, including both the costs and the benefits of this change.

G. Customer Communications

The Participants considered a proposal to change in various ways the language of Rules 12 and 13 of NV Energy's tariff which govern the assessment of deposits. NV Energy did not agree to these changes. However, NV Energy did agree to create a set of Frequently Asked Questions ("FAQs") explaining its security deposit practices, which will be provided to customers and posted on the NV Energy website at <https://www.nvenergy.com/home/customer-care/faqs.crfm>, and updated in the future. (NV Energy

April 19, 2017 Letter at 2-4.). In addition, the Companies will maintain an e-mail address to receive feedback from customers regarding their bills, which is located at newbill@nvenergy.com. (Tr. at 440.) The Commission declines to order further changes to the language of Rules 12 and 13 at this time,

H. More Aggressive Payment Techniques

A number of more aggressive billing and collections techniques were suggested, including requiring immediate payment of an estimated final bill. (See Tr. At 290). Under this proposal, when NV Energy received a call from a customer seeking to cancel service, the Companies would immediately calculate an estimated bill based on the past 12 months of service, collect payment during the call, and true up a final bill based on actual usage after service is disconnected. NV Energy points out that this approach would violate the Commission's Customer Bill of Rights including the provision in NAC 704.339 which states that NV Energy's bills are not due until 15 days after the bill is sent by NV Energy. In addition, NV Energy explained that this would increase NV Energy operating costs, and cause several other problems, including undercutting customer service and customer satisfaction, as outlined in NV Energy's March 30, 2017 letter (at 2).

Similar problems would be created by implementation of proposals to use more aggressive collection practice, including mandating use of the Companies' legal staff to file claims for unpaid bills in Small Claims or Justice Court, and accelerating referrals to a collection agency for amounts due on a final bill.

The record does not support requiring NV Energy to implement the proposed more aggressive collections techniques at this time. Moreover, to the extent that such proposals address collections issues other than those associated with security deposits, such changes are outside the scope of this proceeding.

V. RECOMMENDATIONS

The Commission directs the Participants to take the following steps regarding Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy's security deposit options for service in their service territories:

- A. NV Energy shall modify its tariffs to include explicit waivers from the new customer security deposit requirement for recipients of federal or state disability benefits, recipients of Social Security benefits, recipients of other retirement benefits, active military members, and U.S. veterans. NV Energy already implemented this item on March 30, 2017, when it filed Advice Letters 476 (Nevada Power Company), 593-E (Sierra Pacific Power Company – Electric), and 323-G (Sierra Pacific Power Company–Gas), to implement these changes.
- B. NV Energy shall modify its bill formats to include a deposit warning in large, bold font;

- C. NV Energy shall continue to work with Staff on potential improvements to its bill format and security deposit practices and procedures and expansion of this collaboration to include BCP, AARP and other consumer advocates in this collaborative process. In addition, NV Energy and Staff shall add to each of the Companies' annual consumer session, an opportunity for consumers to receive information and provide comments on bill format issues, and shall explain this opportunity in the notice of the consumer session;
- D. NV Energy shall update NV Energy's use of the Equifax credit threshold NV Energy to evaluate a customer's credit rating under the Advanced Energy Risk Assessment Model, and providing a report to the Commission and the Participants regarding recommended changes (including itemization and explanation of any proposed changes), by September 1, 2017;
- E. The Participants shall advise the Commission by October 15, 2017 regarding whether they seek to propose in this docket changes to the Companies' use of the Equifax credit threshold.
- F. In addition, NV Energy shall provide to the Participants by September 1, 2017, its analysis of the NV Energy customers who caused the Companies to experience a write-off in 2013, 2014, and 2015, and the amount of their default, grouped in 100 point tiers. This analysis will include only customers for whom NV Energy generated an Equifax Advanced Energy Risk Model credit score.
- G. NV Energy shall report to the Commission by October 15, 2017 regarding the cost of changing its method for calculating the amount of new customer deposits from the current method based on the historical usage of prior resident, to a method which applies a flat rate of \$150 for single family residence and \$125 for multi-family residence. This cost calculation should include both cost increases that would result from implementing flat rates (including impact on uncollectibles), and cost reductions which should result from use of the flat rates, including reductions in customer service and systems costs. In addition, NV Energy shall report to the Commission regarding other factors to be taken into account in evaluating the proposed change to a flat rate, including but not limited to the effects on individual new residential customers, and the design of the flat rate structure for customers of each of the Companies.
- H. NV Energy shall report to the Commission by October 15, 2017, regarding the late fees that have been paid in the past two years and the number of customers who have been charged late fees in the past two years.
- I. NV Energy shall conduct a request for proposal ("RFP") for use of credit and debit cards for payments of security deposits and recurring monthly bills which are made by phone, website, and monthly autopay, and to report back to the Commission and the Participants in this proceeding regarding the results of this RFP by October 15, 2017;

- J. Staff, BCP and NV Energy shall ensure that their analyses of the Companies' debt expense related to security deposits is accurately reflected in the rate of return authorized in future rate cases.

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