

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of Otter Tail Power Company's
Request for Approval of a Credit Policy for
Deposits

ISSUE DATE: July 22, 1988

DOCKET NO. E-017/M-87-781

ORDER APPROVING PLAN WITH
MODIFICATIONS

PROCEDURAL HISTORY

On November 24, 1987, Otter Tail Power Company (OTP or the Company) requested approval from the Minnesota Public Utilities Commission (the Commission) of a credit policy specifying the conditions under which a deposit would be required as a condition of obtaining and maintaining utility service. The Company also provided revised General Rules and Regulations tariff sheets incorporating the credit policy proposal and proposed customer mailings explaining it.

On March 23, 1988, the Minnesota Department of Public Service (DPS or the Department) completed its Report of Investigation and Recommendation and recommended that the Commission approve the Company's policy with certain modifications.

On April 4, 1988, OTP filed its Response to the DPS Report which agreed with a number of the Department's recommendations and offered alternate recommendations for six matters.

On April 11 and May 4, 1988, the Department commented on OTP's Response.

On July 12, 1988 OTP distributed a revised credit policy at the Commission's meeting considering this matter.

FINDINGS AND CONCLUSIONS

The Commission must decide whether to approve the Company's revised credit policy for deposits.

DPS staff and Commission staff found the revised credit policy offered at the July 12, 1988 Commission meeting acceptable with the following exceptions.

CREDIT POLICY 2.d: A deposit will be required of a new or existing customer if a customer files for the discharge of debts under the federal bankruptcy code.

CREDIT POLICY 2. e: A deposit will be required of a new or existing customer if a customer pays a bill with an NSF check, which is dishonored upon resubmission. (Any existing deposit shall be used to offset the amount of the NSF check, and a further deposit required.)

The Commission finds that the reasonableness of allowing OTP to require a deposit when a customer files for bankruptcy has not been established. The Commission believes that further examination and analysis of the customer's and the utility's rights, obligations, and protections under federal bankruptcy law is necessary before approval of this proposal is warranted. The Commission is particularly concerned that a credit policy focus on the nonpayment of utility bills rather than the filing of a bankruptcy petition. The Commission will not approve this part of the Company's proposal at this time.

Regarding the provision relating to NSF checks, the Company agreed to a DPS suggestion to eliminate it from the CREDIT POLICY section of OTP's proposal and write the following language into the DEPOSITS AND GUARANTEES section of the Company's proposal: A check which has been dishonored twice by the issuing bank is "nonpayment" of a utility bill.

The Commission finds that this modification is reasonable, it clearly states that a twice dishonored check is nonpayment of a utility bill. Nonpayment of a utility bill is grounds for the imposition of a deposit according to the Commission's rules. Minn. Rules, parts 7820.4500 and 7820.4700. The Commission will approve this modification to the Company's proposal.

The Commission finds that the rest of the revised policy meets the standards of the Commission's rules governing deposits and guarantees of payment. Minn. Rules, parts 7820.4100 through 7820.4700. At the July 12, 1988 meeting the Company agreed to modify proposed language addressing the amount of a required deposit from ". . . an amount equal to an estimated two months' gross bill or existing two months' bill where applicable." to ". . . an amount not to exceed an estimated two months' gross bill . . .". The Commission finds that this language change complies with Minn. Rules, part 7820.4500 and is reasonable. Further the Company agreed to revise language in its policy to recognize that 20 days is not always a sufficient amount of time for a customer to receive credit information from a prior utility. (If this information is not provided within a period of time, OTP would require a deposit.) The Commission finds that this revision is reasonable; it recognizes the practicalities of obtaining credit histories and will avoid customer dissatisfaction and confusion. The Commission will approve the Company's policy as modified above.

On July 15, 1988 the Company filed a corrected version of its revised policy showing its understanding of the agreements made at the July 12, 1988 Commission meeting. (Attachment A). The Commission finds that it is an accurate reflection of the meeting.

ORDER

1. The Commission approves Otter Tail Power Company's revised credit policy for deposits as modified above (Attachment A).
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)