

FLORIDA PUBLIC SERVICE COMMISSION  
Capital Circle Office Center 2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

M E M O R A N D U M

July 2, 1996

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)  
FROM : DIVISION OF ELECTRIC AND GAS (DILLMORE, MAKIN, GING, BULECZA-BANKS) (CBB)  
DIVISION OF LEGAL SERVICES (WAGNER) (LW RVE) (TDJ)  
RE : DOCKET NO. 960657-GU - ST. JOE NATURAL GAS COMPANY, INC.  
PETITION FOR APPROVAL OF MODIFICATIONS TO TARIFF THAT  
WOULD ADD A LATE PAYMENT CHARGE TO CUSTOMERS' PAST DUE  
BALANCES  
AGENDA: 07/16/96 - REGULAR AGENDA - TARIFF FILING - INTERESTED  
PERSONS MAY PARTICIPATE  
CRITICAL DATES: 07/24/96 - 60 DAY FILE AND SUSPEND  
SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\960657.RCM

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve St. Joe Natural Gas Company, Inc.'s (St. Joe) petition for revision of its natural gas tariff to include a provision for a late payment charge?

RECOMMENDATION: No. The Commission should deny St. Joe's proposal to include a late payment charge.

STAFF ANALYSIS: On May 24, 1996, St. Joe filed a petition for approval of a tariff modification which includes a late payment charge. St. Joe's current tariff does not provide for a late payment charge. St. Joe proposes to apply a late charge when a customer fails to pay a bill by the past due date, approximately 20 days from the date of mailing or delivery, in accordance with Rule 25-7.090, Florida Administrative Code.

St. Joe proposes to charge ten dollars or 1.5% of any unpaid balance, whichever is greater, for all delinquent customers except for accounts of state, local, and federal government entities. Unless otherwise agreed by contract, government entities will be assessed the applicable late payment charges in accordance with

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Section 215.422, Florida Statutes (state agencies), Sections 218.70-218.79, Florida Statutes (local government entities), and 31 U.S.C. 3901-3907 (federal government agencies).

On average, approximately 10% of St. Joe's accounts are past due. The average cost of processing a late notice is \$0.87. St. Joe contends that the proposed late charge will recover costs associated with delinquent customer accounts directly from those customers that do not pay their bills timely.

Staff believes that the proposed late charge of \$10 is unfair to residential and other low volume customers. Any delinquent payment that is less than \$666 would be subject to the \$10 late charge and any delinquent payment over \$666 would be subject to the 1.5% late charge.

Currently, over 90% of St. Joe customer bills consist of residential customers. The average residential bill is \$14.61. A late charge of \$10 would represent nearly 70% of their total bill. Furthermore, a customer with \$14.61 delinquent payment would incur the same \$10 late charge as a customer with a \$600 delinquent payment.

Accordingly, Staff recommends St. Joe's petition for revision of its Natural Gas Tariff to include a provision for late payment charge be denied because a late charge of \$10 is unfair to residential and small volume customers.

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**ISSUE 2:** If the Commission approves St. Joe's petition for a late payment charge, what is the appropriate effective date?

**RECOMMENDATION:** The effective date for the late payment charge should coincide with the ability of St. Joe's billing system to implement and administer the charge. Staff should be authorized to administratively approve the effective date.

**STAFF ANALYSIS:** St. Joe believes it will be able to bill this charge by October 1, 1996. If the Commission approves St. Joe's petition for a late payment charge, staff should be granted the authority to administratively approve the effective date once St. Joe has accomplished the changes in the billing system.

Prior to implementation, St. Joe shall provide a thirty day advance notice to its customers. A clearly stated notice to customers may be included on the bill rather than mailed separately. A sample of the notice shall be submitted to the Commission's Division of Electric and Gas for approval prior to implementation.

**ISSUE 3:** Should the Commission approve St. Joe Natural Gas Company's petition for approval of modifications to tariffs governing main and service extensions?

**RECOMMENDATION:** Yes. The Commission should approve St. Joe's proposal to modify tariffs governing main and service extensions.

**STAFF ANALYSIS:** St. Joe presently extends its facilities to provide service in accordance with the provisions of Rule 25-7.054, Florida Administrative Code. The rule requires extensions to be made at no cost to the customer when the capital investment necessary to extend the Company's facilities to provide service is equal to or less than the maximum allowable construction cost (MACC). The MACC is defined as an amount equal to four times the estimated annual gas revenue to be derived from the facilities, less the cost of gas. In the event the required capital investment exceeds the MACC, the Company may require the customer(s) to make a non-interest bearing advance for aid of construction in an amount equal to the difference.

St. Joe proposes to increase its MACC calculation from four to ten times the estimated annual gas revenues. Excluding the cost of gas, the average monthly residential bill is approximately \$3.61.

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Applied to the MACC calculation, four times the annual gas revenue to be derived from the facility is only \$173.28. The average cost of an extension needed to serve a residential customer for 1995 was approximately \$263.

Staff believes that due to St. Joe's low residential rates, the current 4 year MACC limits St. Joe's ability to expand the in residential market. Accordingly, staff recommends the ten year MACC be approved.

**ISSUE 4:** What is the appropriate effective date for modification of tariffs governing main and service extensions?

**RECOMMENDATION:** The effective date for the modification of tariffs governing main and service extension should be the effective date of Commission vote.

**STAFF ANALYSIS:** Staff believes the effective date for modification of tariffs governing main and service extension should be the effective date of Commission vote.

**ISSUE 5:** Should this docket be closed?

**RECOMMENDATION:** Yes.

**STAFF ANALYSIS:** If no substantially affected person files a protest within 21 days of the issuance of the order, the docket should be closed. If a protest is filed within 21 days from the issuance date of the order, the tariff should remain in effect with any increase held subject to refund, pending resolution of the protest.