



Public Service Commission

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MAR 21 AM 8:59
ECONOMIC REGULATION AND REPORTING

DATE: MARCH 22, 2001

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (BIGGINS, FITCH, RENDELL)
DIVISION OF LEGAL SERVICES (ESPINOZA) *JAE RS*

RE: DOCKET NO. 010232-WU - REQUEST FOR APPROVAL OF TARIFF FILING TO ADD "SET RATE" LATE FEE TO WATER TARIFF, BY LAKE YALE TREATMENT ASSOCIATES, INC. IN LAKE COUNTY. COUNTY: LAKE

AGENDA: 04/03/01 - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: APRIL 13, 2001

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\010232.RCM

Handwritten initials and signatures

CASE BACKGROUND

Lake Yale Treatment Association Inc. (LYTA or utility) is a Class C water and wastewater utility located in Lake County. According to the utility's 1999 annual report, it serves a total of 257 water and wastewater customers. For the calender year ended December 31, 1999, the utility recorded revenues of \$36,957 for water and \$42,747 for wastewater, and operating expenses of \$35,837 for water and \$45,219 for wastewater. This resulted in a net operating income of \$1,120 for water and a net operating loss of \$2,472 for wastewater.

On February 14, 2001, LYTA filed an application requesting the approval of a \$4 late payment charge for each account that is not paid by the due date. The Commission has jurisdiction pursuant to Section 367.091, Florida Statutes.

DOCUMENT NUMBER-DATE

03534 MAR 21 01

FPSC-RECORDS/REPORTING

DISCUSSION OF ISSUES

ISSUE 1: Should Lake Yale Treatment Association Inc.'s proposed tariff to implement \$4 late payment charge be approved?

RECOMMENDATION: Yes. Original Tariff Sheet No. 16.1 filed on February 12, 2001, should be approved as filed. The tariff sheet should be implemented on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(2), Florida Administrative Code, provided the customers have received notice.

STAFF ANALYSIS: The utility filed a tariff request for approval to implement a "Set Rate" late payment charge of \$4, pursuant to Section 367.091(6), Florida Statutes. This Section authorizes the utility to establish, increase, or change a rate or charge other than monthly rates or service on service availability. However, the application must be accompanied by cost justification pursuant to Section 367.091(6) Florida Statutes. The utility's current approved billing tariff states if the bill is not paid by due date, late fees may be applied. However, the utility has no late fees in its tariff.

The utility provided the following computations as cost justification for its request:

- \$2.75 Labor separating delinquent bills, looking up in the computer and auditing each account, contacting the utility's billing company to have them adjust all their past due accounts to coincide with the Lake Yale accounts. (15 minutes for each account)
- \$0.66 Printing of final notice, includes \$0.34 postage for each delinquent account
- \$0.61 Pull bills and check master records
- \$4.02 Total

As shown above, the utility provided documentation showing that it incurs a cost of \$4.02 per late account. The \$0.02 difference between the utility's cost to send a late notice and its requested \$4 charge is considered to be nominal by staff. Ms. Lindsey Thompson, the utility's manager, stated in a telephone conversation on February 26, 2001 that it serves 257 customers and 45% of them are late paying customers on a monthly basis. In addition, Ms. Thompson stated that the purpose of this charge is to encourage customers to make timely payments, thereby reducing the number of delinquent accounts, and to place the cost burden of

processing such delinquencies solely upon those who are the cost causers.

In the past, late payment fee requests have been approved on a case-by-case basis. By Order No. PSC-00-1237-TRF-WU, issued July 10, 2000, in Docket No. 000552-WU, the Commission found that the cost causer should pay the additional cost incurred by Palm Cay Utilities Inc., for late payments, rather than the general body of the utility's rate payers. By Order No. PSC-00-2165-TRF-WU, issued November 14, 2000, in Docket No. 001325-WU, the Commission approved late fees in the amount of \$4 for Breeze Hill Utilities.

Presently, Commission rules provide that late payers may be required by the utility to provide an additional deposit. However, there is no further incentive for either delinquent or late paying customers to pay their bills on time after the additional deposit.

Staff believes that the goal of allowing late fees to be charged by a utility is two fold: first, to encourage current and future customers to pay their bills on time; and second, if payment is not made on time, to insure that the cost associated with collecting late payments is not passed on to the customers who do pay on time. As stated earlier, the utility asserts that 45% of the utility customers are late payers. Allowing a late fee will encourage prompt payment by current and future customers.

For the foregoing reasons, Staff recommends that, consistent with the dockets cited above, the \$4 late payment charge should be approved. Further, staff recommends that Original Tariff Sheet No. 16.1 filed on February 12, 2001, to reflect the \$4 late payment charge should be approved as filed. The tariff sheet should be implemented on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(2), Florida Administrative Code, provided the customers have received notice.

ISSUE 2: Should the docket be closed?

RECOMMENDATION: If Issue 1 is approved, the tariff should become effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code. If a protest is filed within 21 days of the issuance date of the Order, the tariff should remain in effect with all late payment charges held subject to refund pending resolution of the protest, and the docket should remain open. If no timely protest is filed, this docket should be closed upon the issuance of a Consummating Order. (ESPINOZA, BIGGINS)

STAFF ANALYSIS: If Issue 1 is approved, the tariff should become effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code. If a protest is filed within 21 days of the issuance date of the Order, the tariff should remain in effect with all late payment charges held subject to refund pending resolution of the protest, and the docket should remain open. If no timely protest is filed, this docket should be closed upon the issuance of a Consummating Order.