

State of Florida



Public Service Commission
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TALLAHASSEE, FLORIDA 32399-0850

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SEP 19 AM 8:13
COMMISSION CLERK

DATE: SEPTEMBER 20, 2001

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (MONIZ, RENDEL)
DIVISION OF LEGAL SERVICES (L. HARRIS)

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RE: DOCKET NO. 011122-WS - TARIFF FILING TO ESTABLISH A LATE PAYMENT CHARGE IN HIGHLANDS COUNTY BY DAMON UTILITIES, INC.
COUNTY: HIGHLANDS

AGENDA: 10/02/01 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: OCTOBER 15, 2001

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\011122.RCM

CASE BACKGROUND

Damon Utilities, Inc. (Damon or utility) is a Class C water and wastewater utility located in Highlands County. According to the utility's 2000 Annual Report, it serves approximately 238 water customers and 82 wastewater customers. For the year ended December 31, 2000, the utility reported revenues of \$40,874 for water and \$29,729 for wastewater and operating expenses of \$35,058 for water and \$27,063 for wastewater. This resulted in a net operating income of \$5,816 and \$2,666, respectively.

On August 16, 2001, Damon filed an application requesting the approval of a \$6 late payment charge. This Commission has jurisdiction pursuant to Section 367.091, Florida Statutes.

DOCUMENT NUMBER-DATE -

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DISCUSSION OF ISSUES

ISSUE 1: Should Damon Utilities, Inc.'s proposed tariff to implement a \$6 late payment charge be approved?

RECOMMENDATION: Yes, First Revised Tariff Sheet No. 19.5 and First Revised Tariff Sheet No. 21.4 to implement a late payment charge should be approved and should become effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(2), Florida Administrative Code, provided the customers have received notice. (MONIZ, HARRIS)

STAFF ANALYSIS: Damon utility filed a tariff request for approval to implement a late payment charge of \$6, pursuant to Section 367.091(6), Florida Statutes. This section authorizes a utility to file an application, to establish, increase, or change a rate or charge other than monthly rates for service or service availability and requires that the application be accompanied by cost justification. The utility provided the following computations as justification for its request: "

- **Labor** \$2.31 Preparing, typing and printing final notice for each delinquent account, making copies of final notice for record purposes and preparing certified mail notice forms (15 minutes labor for each account)
- **Postage** \$.34 First Class Mail
\$2.10 Certified Mail
\$1.50 Return Receipt

As illustrated above, Damon provided documentation showing that it incurs a cost of \$6.25 per late account. However, the utility has only requested a \$6 late payment charge.

In a letter dated August 23, 2001, Ms. Lisa Davis, the utility's manager, informed staff that each month the same customers consistently fail to pay their water and wastewater bills in a timely manner. She reported that out of the utility's 247 customers, only around three percent are consistently delinquent in rendering payment. However, according to Ms. Davis, Damon's employees still spend a sizeable amount of time handling billing complaints from a few delinquent paying customers. In her letter,

she explained that the utility sends a "Notice of Shut-Off" by certified mail, with a return receipt, to customers with delinquent accounts and after receiving the notice, the customers with consistently delinquent accounts notify the utility that the bill was not paid because it was never received. The utility believes that a \$6 late payment penalty will encourage the customers with consistently delinquent accounts to pay their bills on time and will place the cost of processing delinquent accounts solely upon the cost-causers, not the general body of ratepayers that submit payments in a timely manner. Because of the problems discussed above, Ms. Davis believes the late payment notices should be sent by certified mail, with a return receipt, so that the utility can be assured of its receipt by the customer.

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-98-1585-FOF-WU, issued November 25, 1998, in Docket No. 980445-WU, the Commission approved late fees in the amount of \$5 for Morningside Utility, Inc. The Commission also approved a late payment fee of \$4 for Lake Yale Treatment Associates, Inc., by Order No. PSC-01-0998-TRF-WU, issued April 23, 2001, in Docket No. 010232-WU.

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.

By Order No. PSC-01-0998-TRF-WU, issued April 23, 2001, in Docket No. 010232-WU, the Commission found that the goal of allowing late fees to be charged by a utility is two fold: first, it encourages current and future customers to pay their bills on time; and second, if payments are not made on time, it insures that the cost associated with collecting late payments are not passed on to the customers who do pay on time. Even though Damon's delinquent accounts make up a small percentage of its customer accounts receivable, allowing a late payment fee will encourage prompt payment by current and future customers.

Included in the \$6 late payment fee is the cost of sending the late notices by certified mail. Because of prior problems with

delinquent paying customers, staff believes that it is in the ratepayers' best interests to allow the utility to charge its delinquent paying customers the cost for sending the late notices by certified mail, with a return receipt. Hence, the costs caused by only a few customers will not be spread across the board to be shared with the remaining 97 percent of the ratepayers. Staff also believes that the costs that the utility included for labor are reasonable and in line with labor costs approved in prior Commission Orders.

Based on the above, staff recommends that the utility's request for a \$6 late payment charge should be approved. Further, staff recommends that First Revised Tariff Sheet No. 19.3 and First Revised Tariff Sheet No. 21.4, filed on August 16, 2001, to reflect the \$6 late payment charge, be approved as filed. The \$6 late charge should be implemented on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(2), Florida Administrative Code, provided the customers have received notice.

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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. (HARRIS, MONIZ)

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 tariffs 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.