

State of Florida



Public Service Commission
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TALLAHASSEE, FLORIDA 32399-0859

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COMMISSION
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DATE: SEPTEMBER 20, 2001
TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYÓ)
FROM: DIVISION OF ECONOMIC REGULATION (MERTA, RENDELL) *SM*
DIVISION OF LEGAL SERVICES (JAEGER) *PS*
RE: DOCKET NO. 011034-WS - REQUEST FOR APPROVAL OF A LATE PAYMENT CHARGE BY W.P. UTILITIES, INC.
COUNTY: PALM BEACH
AGENDA: 10/02/01 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE
CRITICAL DATES: 60-DAY SUSPENSION DATE: OCTOBER 5, 2001
SPECIAL INSTRUCTIONS: NONE
FILE NAME AND LOCATION: S:\PSC\ECR\WP\011034.RCM

CASE BACKGROUND

W.P. Utilities, Inc. (W.P. Utilities or utility) is a Class C water and wastewater utility located in Palm Beach County. Based on the 2000 Annual Report, the utility provides water and wastewater service to 191 customers. For calendar year ended December 31, 2000, the utility recorded revenues of \$34,413 for water and \$58,357 for wastewater, and operating expenses of \$35,191 for water and \$43,389 for wastewater. This resulted in a net operating loss of \$778 for water and a net operating income of \$14,968 for wastewater.

On August 6, 2001, W.P. Utilities filed an application requesting the approval of a \$5 late payment charge. The utility stated that the purpose of this charge is not only to recover the excess cost associated with processing late payments, but also to provide an incentive for customers to make timely payments.

DOCUMENT NUMBER-DATE
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The Commission has jurisdiction pursuant to Section 367.091,
Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should W.P. Utilities, Inc.'s proposed tariff to implement a \$5 late payment charge be approved?

RECOMMENDATION: Yes, Original Tariff Sheet 19.1 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. (MERTA)

STAFF ANALYSIS: Currently, W.P. Utilities' approved billing tariff contains no provision for late payment charges. The utility filed a tariff request for approval to implement a late charge of \$5, 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 for service and service availability. However, the application must be accompanied by cost justification. The utility stated that the purpose of this charge is to provide an incentive for customers to make timely payments and to recover the excess cost associated with processing late payments by placing the cost burden of processing delinquent notices and accounts solely upon those who are the cost causers.

W.P. Utilities provided the following cost justification:

- \$3.10 Labor (Search accounts, review and verify payment has not been received. Approximately 10 minutes to handle each account)
- \$1.55 Printing of late notice
- \$0.34 Postage for standard envelope
- \$0.01 Cost of envelope and paper
- \$5.00 Total

Staff believes that \$5 is a reasonable late fee charge for this utility. A late fee of less than \$5 would not allow the utility to recover its costs of processing delinquent accounts. The utility bills its customers quarterly. Therefore, late payments place the utility at risk of being unable to pay monthly utility expenses. Over the past six quarters, the average number of customers serviced was 191 and the average number of customers who paid late was 14.

In the past, late payment fee requests have been handled on a case-by-case basis. The Commission has approved late fees in the amount of \$5 by Order No. PSC-96-1409-FOF-WU, issued November 20, 1996, in Docket No. 960716-WU, Crystal River Utilities, Inc., finding that the cost causer should pay the additional cost incurred to the utility by late payments, rather than the general body of the utility's rate payers; and by Order No. PSC-98-1585-FOF-WU, issued November 25, 1998, in Docket No. 980445-WU, Morningside Utility, Inc.

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.

In 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, 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 the late payments is not passed on to the customers who do pay on time. Even though W.P. Utilities' delinquent accounts make up a small percentage of its customer accounts receivable, allowing a late fee will encourage prompt payment by current and future customers. Therefore, staff recommends that, consistent with PSC-01-0998-TRF-WU, the \$5 late payment should be approved. The charge should become effective for services 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.

ISSUE 2: Should the docket be closed?

RECOMMENDATION: If Issue 1 is approved, this tariff should become effective on or after the stamped approval date of the tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code, provided the customers have received notice. If a protest is filed within 21 days of the issuance of the Order, this tariff should remain in effect with any increase 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. (JAEGER, MERTA)

STAFF ANALYSIS: If Issue 1 is approved, this tariff should become effective on or after the stamped approval date of the tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code, provided the customers have received notice. If a protest is filed within 21 days of the issuance of the Order, this tariff should remain in effect with any increase 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.