

State of Florida



Public Service Commission

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COMMISSION
CLERK

DATE: NOVEMBER 19, 2001

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

FROM: DIVISION OF ECONOMIC REGULATION (WALKER) *WALKER*
DIVISION OF LEGAL SERVICES (L. HARRIS) *L. HARRIS*

RE: DOCKET NO. 011482-WU - TARIFF FILING TO ESTABLISH A LATE PAYMENT CHARGE IN COLUMBIA COUNTY BY CONSOLIDATED WATER WORKS, INC.
COUNTY: COLUMBIA

AGENDA: 12/04/01 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: January 4, 2001

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\0011482.WPD

CASE BACKGROUND

Consolidated Water Works, Inc. (Consolidated or utility) is a Class C water utility located in Columbia County. According to the utility's 2000 Annual Report, it serves approximately 227 residential customers and 3 general service customers. For the year ended December 31, 2000, the utility reported revenues of \$45,339 and operating expenses of \$62,377 for water. This resulted in a net operating loss of \$17,038.

The utility filed an application for a staff assisted rate case on November 6, 2000. By Order No. PSC-01-1988-PAA-WU, issued on October 8, 2001. In Docket No. 001682-WU, the Commission granted a rate increase of \$24,697 (54.47%) to the utility. Consumating Order PSC-01-2133-CO-WU was issued October 31, 2001.

DOCUMENT NUMBER-DATE

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On November 5, 2001, Consolidated filed an application requesting the approval of a \$5 late payment charge. The Commission has jurisdiction pursuant to Section 367.091, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should Consolidated Water Works, Inc.'s proposed tariff to implement a \$5 late payment charge be approved?

RECOMMENDATION: Yes, Second Revised Tariff Sheet No. 20.1 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. (WALKER, HARRIS)

STAFF ANALYSIS: Consolidated filed a tariff request for approval to implement a late payment charge of \$5, 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** \$3.25 - Extracting names and addresses of delinquent customers from the computer. Preparing and writing final notice for each delinquent account, making copies of final notice for record purposes and preparing envelopes for final notice forms (15 minutes labor for each account)
- **Postage** \$.34 - First Class Mail
- **Supplies** \$1.00 - Office supplies used to send notices to customers (Envelopes, paper, labels, printing supplies)

As illustrated above, Consolidated provided documentation showing that it incurs a cost of \$4.59 per late account.

In a letter dated October 30, 2001, Ms. Pam Dones, the utility's bookkeeper and secretary, 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 230 customers, about 34% are consistently delinquent in rendering payment. According to Ms. Dones, she spends a sizeable

amount of time handling billing complaints from a large percentage of delinquent paying customers.

Ms. Dones explained that she hand writes each notice prior to sending them out because the utility's computer software is not capable of electronically creating the notices. Ms. Dones then creates labels for the envelopes and delivers them to the post office to be sent to the customers. Ms. Dones sends the notices U.S. Mail First Class at a cost of \$0.34 per notice.

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. Consolidated's delinquent accounts make up a large percentage of its customer accounts receivable and allowing a late payment fee will encourage prompt payment by current and future customers.

Based on the above, staff recommends that the utility's request for a \$5 late payment charge should be approved. Further, staff recommends that Second Revised Tariff Sheet No. 20.1, reflecting the \$5 late payment charge, be approved as filed. The \$5 late charge should be implemented on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(2),

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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. (WALKER)

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.