State of 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-

DATE: September 7, 2006

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Biggins, Bulecza-Banks, Rendell)
Office of the General Counsel (Jaeger)

RE: Docket No. 060506-WU – Request for approval of tariff amendment to include a late payment fee of $5 in Osceola County by O & S Water Company, Inc.

AGENDA: 09/19/06 – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 09/24/06 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\060506.RCM.DOC

Case Background

O & S Water Company, Inc. (O & S or utility) is a Class B water utility located in Osceola County. According to the utility's 2005 annual report, it serves approximately 1,391 customers. In addition, the annual report reflects annual operating revenue of $737,286 and a net operating loss of $87,499.

The Commission granted the utility Certificate No. 510-W to provide service to certain territory in Osceola County and established initial rates and charges when the utility was known as C & S Water Company. [1]

On July 25, 2006, O & S filed a proposed revised tariff sheet requesting approval of a late payment charge. The Commission has jurisdiction pursuant to Section 367.091, Florida Statutes.

[1]Order No. 20583, issued on January 10, 1989, in Docket No. 870392-WU, In Re: Objection to application for C&S Water Company for a water certificate in Osceola County, and granted the certificate, Order No. PSC-92-0204-FOF-WU, issued April 14, 1992, in Docket No. 910895-WU, In Re: Application for transfer of majority organizational control of C&S Water Company's certificate No. 510-W in Osceola County from Doug Stewart and the Estate of Jack Chernau to Douglas B. Stewart, established the rate base. By Order No. PSC-92-1339-FOF-WU, issued November 18, 1992, in Docket No. 920941-WU, In Re: Request for name change on certificate No. 510-W in Osceola County from C&S Water Company to O&S Water Company, the Commission granted the name change. Further, by Order No. PSC-03-0873-PAA-WU, issued July 29, 2003, in the combined Dockets Nos. 030067-WU, In Re: Application for approval of special service availability contract (developer agreement) with Avatar Properties Inc. and bulk water service agreement with Florida Governmental Utility Authority, by O&S Water Company, Inc. in Osceola County and 030160-WU, In Re: Application for amendment of certificate No. 510-W to extend water service in Osceola County by O&S Water Company, Inc., the Commission approved the special service availability agreement and extended the utility's territory.

Discussion of Issues

Issue 1: Should O & S Water Company, Inc.'s proposed tariff to implement a $5 late payment charge be approved?

Recommendation: Yes. Third Revised Sheet No. 16.0 filed on July 24, 2006, 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. (Biggins)

Staff Analysis: The utility 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 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 provided the following expenses as cost justification for its request:

•	$2.25	Office personnel time to search accounts to determine that the bill has not been paid.
•	$2.50	Prepare, print and sort notices for mailing and transport to Post Office
•	$0.39	Postage
•	$0.05	Envelope
	$5.19	Total

As shown above, the utility provided documentation showing it incurs a cost of $5.19 per late account. The $0.19 difference between the utility's cost to send a late notice and its requested $5 charge is considered to be nominal by staff. The purpose of a late payment charge is not only to provide an incentive for customers to make timely payments, thereby reducing the number of delinquent accounts, but also 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 handled on a case-by-case basis.[2] 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: to encourage current and future customers to pay their bills on time; and 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 pay on time.

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[2] Order No. PSC-00-1237-TRF-WU issued July 10, 2000, in Docket No. 000552-WU, In Re: Tariff filing by Palm Cay Utilities, Inc. in Marion County to establish a late payment charge. Order No. PSC-02-1116-TRF-WU, issued August 8, 2002, in Docket No. 020551-WU, In re: Request for approval of late payment charge in Broward County by Broadview Park Water Company. Order No. PSC-02-1752-TRF-WU, issued December 121, 2002, in Docket No. 021024-WU, In re: Request for approval of Fourth Revised Tariff Sheet No. 17.1, to change late fee provisions to assist in reducing late payment amounts and to reduce bad debts to historical level, by Florida Public Utilities Company (Fernandina Beach System) in Nassau County.

For the foregoing reasons, staff recommends that, consistent with the past Commission orders, the $5 late payment charge should be approved. Further staff recommends that Third Revised Sheet No. 16.0 filed on July 24, 2006, which reflects the $5 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 this 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 by a substantially affected person, 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, Biggins)

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 by a substantially affected person, 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.