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Public Service Commission

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COMMISSION
CLERK

-M-E-M-O-R-A-N-D-U-M-

DATE: March 1, 2007

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

FROM: Division of Economic Regulation (Draper) *EJD*
Office of the General Counsel (Brown) *WCS* *AKH* *CSK* *W* *Tg*

RE: Docket No. 070094-GU – Petition for approval of tariff modification to delete miscellaneous service charges for bills paid electronically, by Peoples Gas System.

AGENDA: 03/13/07 – Regular Agenda – Tariff Filing - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 03/30/07 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\070094.RCM.DOC

Case Background

On January 30, 2007, Peoples Gas System (Peoples) filed a petition for approval of a tariff modification deleting a miscellaneous service charge for bills paid electronically. In Peoples' last rate case the Commission approved a charge of 3.5 percent of the billed amount for customers who opt to pay by credit card, debit card, or electronic funds transfer.¹ Peoples is now using an outside vendor to allow customers the option of paying their gas bills by credit card, debit card, or electronic funds transfer. Customers using this payment option are charged a transaction fee by the outside vendor.

The Commission has jurisdiction pursuant to Section 366.05, Florida Statutes.

¹ See Order No. PSC-03-0038-FOF-GU, issued on December 6, 2002, in Docket No. 020384GU, in Re: Petition for rate increase by Peoples Gas System.

DOCUMENT NUMBER-DATE

01908 MAR-15

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Discussion of Issues

Issue 1: Should the Commission approve Peoples' petition for approval of a tariff modification deleting a miscellaneous service charge for bills paid electronically?

Recommendation: Yes. (Draper)

Staff Analysis: On January 30, 2007, Peoples filed a petition for approval of a tariff modification deleting a miscellaneous service charge for bills paid electronically.

Peoples began accepting credit cards, debit cards, and electronic checks for bill payment in August 1992 at no additional charge to the customer. In Peoples' 2002 rate case the Commission approved a charge of 3.5 percent of the billed amount for customers who opt to pay by credit card, debit card, or electronic check. The Commission found that the 3.5 percent of the billed amount was cost-based, and appropriately recovered the additional costs of electronic transactions from those customers who opt to pay by credit card.² In April 2003 Peoples began using an outside vendor to process credit card, debit card, and electronic check transactions, and charge customers the 3.5 percent transaction fee.

In 2006 Visa informed Peoples' vendor that a percentage-based fee violates Visa's rules. In view of Visa's rules, Peoples is currently renegotiating with the vendor to charge a fixed transaction fee of approximately \$3 instead of a percentage-based fee to customers who chose to pay by credit card, debit card, or electronic check.

Peoples filed a petition to delete the 3.5 percent service charge provision from its tariff. The tariff provision is no longer necessary, since the fee is being charged to customers by the outside vendor, not Peoples. This is consistent with the decision the Commission made regarding Tampa Electric Company's (TECO) credit card fee. In 2001 TECO filed a petition to include a provision in its tariff to allow payment by credit card through a third party vendor. Customers using this option are charged a \$4.95 fee by the third party vendor. The Commission found that since the fee is being charged by the vendor and not the utility, no tariff provision is necessary. TECO withdrew its petition.³ Several other utilities, including Gulf Power Company, allow payment by credit card through an outside vendor.

Staff recommends approval of Peoples' petition to delete its tariff language for bills paid electronically. This payment selection is optional and the transaction fee is being charged by an outside vendor, not the utility. Peoples states that it will inform its customers of the change in the transaction fee if they choose to pay their bills through the outside vendor.

² See Order No. PSC-03-0038-FOF-GU, at 18.

³ See Order No. PSC-01-1590-FOF-EI, issued on August 1, 2001, in Docket No. 010727-EI, in Re: Petition for approval to revise tariff for service charges for payment through a third party vendor by Tampa Electric Company.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, this tariff should become effective on May 1, 2007. If a protest is filed within 21 days of the issuance of the order, this tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Brown)

Staff Analysis: If Issue 1 is approved, this tariff should become effective on May 1, 2007. If a protest is filed within 21 days of the issuance of the order, this tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.