

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: January 23, 2014

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Thompson) *SHK JWD PP*
Office of the General Counsel (Barrera) *JSC*

RE: Docket No. 130288-WS – Request for approval of late payment charge in Brevard County by Aquarina Utilities, Inc.

RECEIVED-FPSC
14 JAN 23 AM 10:09
COMMISSION
CLERK

AGENDA: 02/04/14 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 02/10/14 (60-Day Effective Date)

SPECIAL INSTRUCTIONS: None

Case Background

Aquarina Utilities, Inc. (Aquarina or Utility) is a Class B water and wastewater utility serving approximately 411 customers in Brevard County. The Utility's 2012 Annual Report indicates that the Utility's operating revenues were \$250,314 and \$153,760 for water and wastewater, respectively.

On December 13, 2013, the Utility filed an application for approval of a late payment charge for its water and wastewater operations. This recommendation addresses Aquarina's request to implement a late payment charge. The Commission has jurisdiction pursuant to Section 367.091, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should Aquarina's request to implement a \$7.00 late payment charge be approved?

Recommendation: Yes. Aquarina's request to implement a \$7.00 late payment charge should be approved. Aquarina should be required to file a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective for services rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.). In addition, the approved charge should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than ten days after the date of the notice. (Thompson)

Staff Analysis: Section 367.091, F.S., authorizes the Commission to establish, increase, or change a rate or charge other than monthly rates or services availability charges. The Utility is requesting a \$7.00 late payment charge to recover the cost of supplies and labor associated with processing late payment notices. The Utility's request for a late payment charge was accompanied by its reason for requesting the charge, as well as the cost justification required by Section 367.091, F.S.

The Utility has a total of 411 customer accounts and, according to the Utility, approximately 10 to 15 percent of the customers do not pay by the due date each month. As a courtesy, the Utility allows a three to five day grace period beyond the due date before it issues a late payment notice for discontinuance of service. After the expiration of the Utility's courtesy grace period, approximately five to six percent of the accounts are still delinquent and in need of a late payment notice. Based on historical data, the Utility anticipates it will prepare late payment notices for approximately 20 accounts per month.

In the past, the Commission has allowed 10-15 minutes per account for clerical and administrative labor to research, review, and prepare the notice.¹ The Utility indicated it spends approximately four hours per month processing late payment notices, which results in an average of 12 minutes per account (240 minutes/20 account) and is consistent with past Commission decisions. The late payment notices are processed by the account manager, which results in labor cost of \$7.00 (12/60 x \$35) per account. The cost basis for the late payment charge, including the labor, is shown below.

¹ See Order Nos. PSC-11-0204-TRF-SU, in Docket No. 100413-SU, issued April 25, 2011, In re: Request for approval of tariff amendment to include a late fee of \$14.00 in Polk County by West Lakeland Wastewater.; PSC-08-0255-PAA-WS, in Docket No. 070391-WS, issued April 24, 2008, In re: Application for certificates to provide water and wastewater service in Sumter County by Orange Blossom Utilities, Inc.; and PSC-01-2101-TRF-WS, in Docket No. 011122-WS, issued October 22, 2001, In re: Tariff filing to establish a late payment charge in Highlands County by Damon Utilities, Inc.

Cost Basis for Late Payment Charge

Labor	\$ 7.00
Printing	\$.17
Postage	\$.46
Supplies	<u>\$.10</u>
Total Cost	\$ 7.73

Based on staff's research, since the late 1990s, the Commission has approved late payment charges ranging from \$2.00 to \$7.00.² The purpose of this charge is not only to provide an incentive for customers to make timely payment, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing delinquent accounts solely upon those who are cost causers.

Based on the above, staff recommends that Aquarina's request to implement a \$7.00 late payment charge should be approved. Aquarina should be required to file a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective for services rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than ten days after the date of the notice.

² See Order Nos. PSC-01-2101-TRF-WS, in Docket No. 011122-WS, issued October 22, 2001, In re: Tariff filing to establish a late payment charge in Highlands County by Damon Utilities, Inc.; PSC-08-0255-PAA-WS, in Docket No. 070391-WS, issued April 24, 2008, In re: Application for certificates to provide water and wastewater service in Sumter County by Orange Blossom Utilities, Inc.; PSC-09-0752-PAA-WU, in Docket No. 090185-WU, issued November 16, 2009, In re: Application for grandfather certificate to operate water utility in St. Johns County by Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility.; PSC-10-0257-TRF-WU, in Docket No. 090429-WU, issued April 26, 2010, In re: Request for approval of imposition of miscellaneous service charges, delinquent payment charge and meter tampering charge in Lake County, by Pine Harbour Water Utilities, LLC.; and PSC-11-0204-TRF-SU, in Docket No. 100413-SU, issued April 25, 2011, In re: Request for approval of tariff amendment to include a late fee of \$14.00 in Polk County by West Lakeland Wastewater.

Issue 2 Should this docket be closed?

Recommendation: ^{CD} ~~Yes.~~ If Issue 1 is approved, the docket should remain open for staff's verification that the revised tariff sheet and customer notice have been filed by the Utility and approved by staff. The revised tariff sheet should become effective on or after the stamped approval date on the revised tariff sheet, pursuant to Rule 25-30.475, F.A.C. 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, a consummating order should be issued and, once staff verifies that the notice of the late payment charge has been given to customers, the docket should be administratively closed. (Barrera)

Staff Analysis: If Issue 1 is approved, the docket should remain open for staff's verification that the revised tariff sheet and customer notice have been filed by the Utility and approved by staff. The revised tariff sheet should become effective on or after the stamped approval date on the revised tariff sheets, pursuant to Rule 25-30.475, F.A.C. 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, a consummating order should be issued and, once staff verifies that the notice of the late payment charge has been given to customers, the docket should be administratively closed.