

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Tariff filing to
establish a late payment charge
in Highlands County by Damon
Utilities, Inc.

DOCKET NO. 011122-WS
ORDER NO. PSC-01-2101-TRF-WS
ISSUED: October 22, 2001

The following Commissioners participated in the disposition of
this matter:

E. LEON JACOBS, JR., Chairman
J. TERRY DEASON
LILA A. JABER
BRAULIO L. BAEZ
MICHAEL A. PALECKI

ORDER APPROVING TARIFF IMPLEMENTING A LATE PAYMENT CHARGE

BY THE COMMISSION:

BACKGROUND

Damon Utilities, Inc. (Damon or utility) is a Class C water and wastewater utility located in Highlands County. According to the utility's 2000 Annual Report, it serves approximately 238 water customers and 82 wastewater customers. For the year ended December 31, 2000, the utility reported revenues of \$40,874 for water and \$29,729 for wastewater and operating expenses of \$35,058 for water and \$27,063 for wastewater. This resulted in a net operating income of \$5,816 and \$2,666, respectively.

TARIFF FILING

On August 16, 2001, Damon filed a tariff request for approval to implement a late payment charge of \$6, 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:

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FPSC-COMMISSION CLERK

- Labor \$2.31 Preparing, typing and printing final notice for each delinquent account, making copies of final notice for record purposes and preparing certified mail notice forms (15 minutes labor for each account)

- Postage \$.34 First Class Mail
 \$2.10 Certified Mail
 \$1.50 Return Receipt

As illustrated above, Damon provided documentation showing that it incurs a cost of \$6.25 per late account. Nevertheless, the utility has only requested a \$6 late payment charge.

In a letter dated August 23, 2001, Ms. Lisa Davis, the utility's manager, informed us 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 247 customers, only around three percent are consistently delinquent in rendering payment. She explained that the utility sends a "Notice of Shut-Off" by certified mail, with a return receipt, to customers with delinquent accounts and after receiving the notice, the customers with consistently delinquent accounts notify the utility that the bill was not paid because it was never received. The utility believes that a \$6 late payment penalty will encourage the customers with consistently delinquent accounts to pay their bills on time and will place the cost of processing delinquent accounts solely upon the cost-causers, not the general body of ratepayers that submit payments in a timely manner. Because of the problems discussed above, Ms. Davis believes the late payment notices should be sent by certified mail, with a return receipt, so that the utility can be assured of its receipt by the customer.

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, we found that the cost-causers 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, we approved late fees in the amount of \$5 for Morning side Utility, Inc. We also approved a late payment fee of \$4 for Lake Yale Treatment Associates, Inc., by

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Order No. PSC-01-0998-TRF-WU, issued April 23, 2001, in Docket No. 010232-WU.

Presently, our 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, we 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. Even though Damon's delinquent accounts make up a small percentage of its customer accounts receivable, allowing a late payment fee will encourage prompt payment by current and future customers.

Included in the \$6 late payment fee is the cost of sending the late notices by certified mail. Because of prior problems with delinquent paying customers, we find that it is in the ratepayers' best interests to allow the utility to charge its delinquent paying customers the cost for sending the late notices by certified mail, with a return receipt. Hence, the costs caused by only a few customers will not be spread across the board to be shared with the remaining 97 percent of the ratepayers. We also find that the costs that the utility included for labor are reasonable and in line with labor costs that we have approved in the past.

Based on the above, the \$6 late payment charge shall be approved. Moreover, the utility shall send all "Notices of Shut-Off" by certified mail. First Revised Tariff Sheet No. 19.3 and First Revised Tariff Sheet No. 21.4, filed on August 16, 2001, to reflect the \$6 late payment charge, shall be approved as filed. The \$6 late charge shall be implemented 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.

If a timely protest to this Order is filed, the tariffs shall remain in effect with all late payment charges held subject to refund pending resolution of the protest, and the docket shall

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remain open. If no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

Based on the foregoing, it is

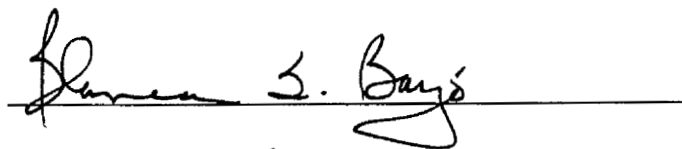
ORDERED by the Florida Public Service Commission that Damon Utilities, Inc.'s tariff filing to implement a late payment fee in the amount of \$6 to be assessed after the twentieth day of the billing cycle is hereby approved. Damon Utilities, Inc. shall send all "Notices of Shut-Off" by certified mail. It is further

ORDERED that the tariff shall become effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code, provided the customers have received notice. It is further

ORDERED that if a timely protest is filed pursuant to the requirements set forth below, all increased revenues resulting from this filing shall be held subject to refund pending resolution of the protest. It is further

ORDERED that the tariff shall become final if a substantially affected person does not file a petition for a formal proceeding within 21 days of the issuance date of this Order. If no such petition is received, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 22nd day of October, 2001.

A handwritten signature in black ink, appearing to read "Blanca S. Bayó", is written over a solid horizontal line.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

(S E A L)

LDH

Commissioner Palecki dissented from the Commission's decision with the following opinion:

I dissent. A \$6 late payment charge is too high. I would limit the late payment charge for residential customers to \$5.

NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 12, 2001.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.