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MEMORANDUM

December 4, 1997

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF WATER & WASTEWATER (DEWBERRY) *DP*
DIVISION OF LEGAL SERVICES (FLEMING) *DF* *BP*

RE: DOCKET NO. 971441-SU - APPLICATION FOR APPROVAL OF LATE
PAYMENT CHARGE BY GULF AIRE PROPERTIES, INC. D/B/A GULF
AIRE WASTEWATER TREATMENT PLANT
COUNTY: GULF

AGENDA: 12/16/97 - REGULAR AGENDA - TARIFF FILING - INTERESTED
PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: THIS IS AN INITIAL DECISION WHICH SHOULD
BE HEARD BY THE FULL COMMISSION

LOCATION OF FILE: I:\PSC\WAW\WP\971441SU.RCM

CASE BACKGROUND

Gulf Aire Properties, Inc. d/b/a Gulf Aire Wastewater Treatment Plant (utility) is a Class C wastewater only utility located in Gulf county. Based on the 1996 Annual Report, the utility provides wastewater service to 215 customers. For the calendar year ended December 31, 1996, the utility recorded revenues of \$78,000, expenses of \$69,675 resulting in income of \$9,125.

On November 3, 1997, the utility filed an application requesting the approval of a \$3.00 late payment charge. The utility stated in its filing that the purpose of this charge is to not only provide an incentive for customers to make timely payments, thereby reducing the number of delinquent accounts, but also place the cost burden of processing such delinquent notices and accounts squarely upon those who are the causers.

DOCUMENT NUMBER-DATE

12345 DEC-4/97

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DOCKET NO. 971441-SU
December 4, 1997

Section 367.091(5), Florida Statutes, authorizes the utility to apply to establish, increase, or change a rate or charge other than monthly rates for service or service availability charges. However, the application must be accompanied by cost documentation. The utility has submitted the cost documentation in its application as required along with billing data for determining the percentage of late payments.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve the utility's request for a \$3.00 late payment charge?

RECOMMENDATION: Yes, the Commission should approve the \$3.00 late payment charge as requested by the utility. This charge should become effective for service rendered on or after the stamped approval date on the filed tariffs, pursuant to Rule 25-30.475(2) Florida Administrative Code, provided the customers received notice. (DEWBERRY)

STAFF ANALYSIS: On November 3, 1997, Gulf Aire Properties d/b/a Gulf Aire Wastewater Treatment Plant (utility), requested the approval of a \$3.00 late payment charge. In its filing the utility stated that it has experienced significant and continuous occurrences of late payments for several years. The utility also stated that the purpose of this charge is not only to provide an incentive to make timely payments, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing such delinquent notices and accounts squarely upon those who are the causers.

In addition, the utility provided cost justification for the requested \$3.00 late payment charge and a schedule of the number of monthly bills and late payments for the period January through October 1997. Based on this information 31% of the utility's total bills have been delinquent.

In the past, late payment fee requests have been handled on a case-by-case basis. Recommendations have been made based upon the conditions presented by each individual utility. The Commission has authorized late payment charges for wastewater companies based on demonstration by the company of a service delinquency problem. In Order No. 8157 issued on February 2, 1978, a 5% late charge was approved for residential customers of Santa Villa Utilities. Santa Villa is a sewer-only utility. In Order No. 20779 issued on February 20, 1989, the Commission authorized a 1.5% late charge on all customers of Longwood Utilities, also a sewer-only company. The Commission has approved a late charge for sewer-only operations because of the difficulty in shutting off a customer's sewer service.

Late charges for both water and wastewater operations have also been approved by the Commission. In Docket No. 891365-WS, Ortega Utility submitted cost justification for a late charge request of \$5.00. The Commission approved a \$3.00 late charge. The utility reported that 30% of this customer base was establishing a trend of paying late and it intended to discourage

DOCKET NO. 971441-SU
December 4, 1997

this practice by charging late payers. In 1992, the Commission approved a \$3.00 late payment charge for Palm Coast Utility Corporation, a water and wastewater utility in Flagler County, in Docket No. 920349-WS by Order No. PSC-92-0611-FOF-WS issued July 9, 1992 and for Ferncrest Utilities, Inc. a water and wastewater utility in Broward county, in Docket No. 920535-WS by Order No. PSC-92-0779-FOF-WS issued August 10, 1992. In 1993, the Commission approved a \$3.00 late payment charge for Rolling Oaks Utilities, Inc. (Citrus county) and Hydratech Utilities, Inc. (Martin county). In Docket No. 960675-WS and by Order No. PSC-96-0987-FOF-WS, issued August 5, 1996, the Commission also approved a \$3.00 late payment charge for MHC Systems, Inc. in Lee county.

The utility's existing tariff authorizes the utility to collect customers deposits and Rule 25-30.311, F.A.C. authorizes the utility to collect an additional deposit if necessary from customers that are late payers. Staff believes that additional deposits will not encourage payment of bills in a timely manner. Therefore, staff recommends that the Commission approve the \$3.00 late payment charge as requested by the utility. This charge should become effective for service rendered on or after the stamped approval date on the filed tariffs, pursuant to Rule 25-30.475(2) Florida Administrative Code, provided the customers received notice.

DOCKET NO. 971441-SU
December 4, 1997

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, 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. If a protest is filed within 21 days of the issuance of the Order, this tariff should remain in effect and all late payment charges collected should be held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed administratively. (DEWBERRY, FLEMING)

STAFF ANALYSIS: If a protest is filed within 21 days of the issuance of the Order, this tariff should remain in effect and all late payment charges collected should be held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed administratively.