



Public Service Commission

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JUN - 4 1998

11:15
FPSC - Records/Reporting

DATE: JUNE 4, 1998

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

FROM: DIVISION OF WATER AND WASTEWATER (HINES) *SRJ*
DIVISION OF LEGAL SERVICES (FLEMING) *SRJ*

RE: DOCKET NO. 971471-SU - APPLICATION FOR APPROVAL TO IMPLEMENT MONTHLY LATE PAYMENT CHARGE ON DELINQUENT ACCOUNTS IN HIGHLANDS COUNTY BY HIGHLANDS UTILITIES CORPORATION.
COUNTY: HIGHLANDS

AGENDA: JUNE 16, 1998 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\WAW\WP\971471.RCM

CASE BACKGROUND

Highlands Utilities Corporation (Highlands or utility) is a Class B wastewater only utility located in Highlands County serving approximately 1,274 customers. According to the 1996 annual report, the utility's gross operating revenue was \$505,532, with a net income of \$5,452.

On November 7, 1998, the utility filed an application requesting the approval of a \$5.00 late payment charge on all delinquent paying customers in order to meet the costs associated with carrying and collecting past due accounts. Section 367.091(5), Florida Statutes, authorizes the utility 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 justification. The utility also submitted data for determining the percentage of late payments. By Order No. PSC-98-0142-PCO-SU issued on January 26, 1998, in this docket, the tariff was suspended pending further investigation by staff.

DOCUMENT NUMBER-DATE

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DISCUSSION OF ISSUES

ISSUE 1: Should Highlands Utilities Corporation's proposed tariff to implement a \$5.00 late payment charge be approved?

RECOMMENDATION: No, the utility did not support the request for the \$5.00 late payment charge and the request should be denied. However, a late payment charge of \$3.00 would be appropriate. Staff recommends that if the utility files a revised tariff containing a \$3.00 late payment charge, staff should be allowed to administratively approve the filing. (HINES)

STAFF ANALYSIS: Highlands Utilities Corporation filed a tariff request for approval to implement a late charge of \$5.00 in Highlands County, pursuant to Section 367.091(5), Florida Statutes. This Section authorizes the utility to establish increase, or change a rate charge other than monthly rates for service or service availability. However, the application must be accompanied by cost justification.

In the past, the Commission has found that late payment charges are reasonable to help defray the costs incurred due to late paying customers. This is especially true for wastewater only utilities since there is no meter and the utility cannot readily discontinue service for nonpayment. In 1989 the Commission approved a late payment charge in the amount of \$3.00 for Ortega Utility Company in Docket No. 891365-WS. Since that time, all late payment charges approved by the Commission for water and wastewater utilities have been in the amount of \$3.00.

In support of its request, the utility states it believes since 1989, inflation would have caused the normal \$3.00 late payment charge to be approximately \$5.00 in today's dollars. On February 6, 1998, staff requested additional data from the utility in order to support the request for the late payment charge. The utility responded on February 25, 1998 with the following breakdown of the \$5.00 charge:

Computer generation and printing	\$0.40	(Canada)	\$0.46
Postage	\$0.32		
Clerical Review	\$1.02		
Courtesy call to customer	\$0.45		
Average Site Visit	<u>\$2.50</u>		
TOTAL:	\$4.69	(Canada)	\$4.75
USE:	<u>\$5.00</u>		

In addition, the utility reported that on average approximately 14% of the customers are delinquent each month. These delinquencies affect the utility's revenue stability. Highlands' monthly revenue is between \$36,000 and \$45,000, and the past due amounts range from \$6,000 to \$10,000 per month. Therefore, on average approximately 20% of the utility's revenue is received late due to delinquent customers.

Based on the level of delinquencies experienced by the utility, staff believes that a late payment charge is appropriate in this case. However, we do not believe the utility supported a late payment charge of \$5.00. In reviewing the above cost breakdown, we note that the utility included a cost for a site visit. Staff does not believe that a site visit is necessary to collect delinquent accounts, particularly in the case of a wastewater only utility, where there is no meter to disconnect.

Therefore, staff believes the utility has not supported the proposed \$5.00 late payment charge and the tariff should be denied. However, staff believes that a \$3.00 late payment charge would be appropriate in this case. As mentioned above, this is the charge normally approved by the Commission for late payment charges. If the utility files a tariff reflecting the \$3.00 charge, staff recommends that we be allowed to administratively approve the filing.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. This docket should be closed, unless a timely protest is received from a substantially affected person within the 21-day protest period. (HINES, FLEMING)

STAFF ANALYSIS: This docket should be closed if no person whose interests are substantially affected files a protest within the 21-day protest period.