



Public Service Commission

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PSC-RECORDS/REPORTING

DATE: JANUARY 21, 1999

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

FROM: DIVISION OF WATER AND WASTEWATER (BUTTS) *[Signature]*
DIVISION OF LEGAL SERVICES (VACCARO) *[Signature]*

RE: DOCKET NO. 981612-WS - TARIFF FILING TO REVISE WATER AND WASTEWATER TARIFFS TO IMPLEMENT CONVERGENT BILLING FOR MULTIPLE UTILITY SERVICES IN MARTIN COUNTY BY INDIANTOWN COMPANY, INC.
COUNTY: MARTIN

AGENDA: 02/2/99 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: WAIVED

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\WAW\WP\981612II.RCM

CASE BACKGROUND

Indiantown Company, Inc. (Indiantown or utility) is a Class B utility which provides water and wastewater service in Martin County. According to the utility's 1997 Annual Report, it serves 1,715 water customers and 1,582 wastewater customers. The utility also reported in its 1997 Annual Report, water revenues in the amount of \$457,745 and wastewater revenues in the amount of \$516,694.

Water in the utility's service area is under the jurisdiction of the Southwest Florida Water Management District (SWFWMD), and Indiantown is located in a Water Use Caution Area. The utility's last rate case processed under Docket No. 970556-WS, requested a name change, transfer of assets and majority organizational control. By Order No. PSC-97-1171-FOF-WS, issued October 1, 1997, the Commission approved the utility's application.

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POSTCO is the parent company of Indiantown Company, Inc., ITS Telecommunications Systems, Inc. (local carrier), Arrow Communications (long distance carrier), and an unregulated garbage/refuse business. Indiantown Company, Inc. currently provides water, wastewater, and refuse service.

On November 12, 1998, the Commission received the present proposed revision to Indiantown's existing tariff, which would enable the utility to provide convergent billing. On December 29, 1998, staff initiated a letter of inquiries to Indiantown's attorney for pertinent information concerning convergent billing. On December 31, 1998, the utility's attorney submitted the information requested by staff, waived the 60-day statutory suspension date and requested that Indiantown's proposed tariff revision be considered by the Commission during the January 19, 1999, Agenda Conference. Therefore, staff has prepared the following recommendation.

DISCUSSION OF ISSUES

ISSUE 1: Should Indiantown Company, Inc.'s proposed tariff which reflects revisions to its existing tariff to a convergent billing system be approved?

RECOMMENDATION: Yes. Indiantown's proposed tariff to provide convergent billing should be approved. The revised tariff sheets should be implemented on or after the stamped approval date of the tariff sheet pursuant to Rule 25-30.475, Florida Administrative Code, provided customers have received notice. The utility should provide proof that the customers have received notice within 10 days after the date of the notice. (BUTTS)

STAFF ANALYSIS: As stated in the case background, Indiantown Company, Inc. filed proposed tariff sheets pursuant to Section 367.091, Florida Statute. The utility is planning to participate in convergent billing whereby its customers will be charged for all utility services rendered for the month on a single invoice. Currently, the utility offers water service, wastewater service, and refuse service. The utility plans to participate in convergent billing with ITS Telecommunications Service, Inc. and Arrow Communications, Inc. Indiantown has indicated that all utility services delivered to a customer will be itemized on one bill. For illustrative purposes, on December 31, 1998 the utility provided an example of the projected billing format for convergent billing:

<u>Type of Service</u>	<u>Amount Due</u>
Telephone Service	\$ 18.46
Telephone Service	24.95
Telephone Service	10.50
Internet Service	14.95
Water and Sewer Service	<u>22.50</u>
Total Amount Due	\$ <u>91.36</u>

Indiantown has indicated that ITS Telecommunications Systems, Inc. will be responsible for implementing the monthly invoice procedure, distributing to customers, receipt of payment, and allocating payments. Upon receipt of payment for an invoice, the telephone company will process the payment as follows: if payment for the invoice is for the full amount, the invoice is fully liquidated. On the other hand, the utility stated in its proposed tariff filing that "in any convergent billing format on which a

bill for water service is itemized with bills for other services, a partial payment of the total bill for all services will be applied first to water and wastewater service, then to local telephone service and finally to any non-regulated services."

On December 31, 1998, the utility's counsel delivered a letter to the Commission stating: "two of the affiliated companies are also regulated by the FPSC, ITS Telecommunications Systems, Inc. and Arrow Communications, Inc., both of which will also participate in the convergent billing system, and both of which have also filed tariffs with the FPSC. The two affiliated telephone company tariffs covering the convergent billing system are effective at this time, although billing under the new system has not yet commenced." These tariffs provided for convergent billing with Indiantown. This was the first time that a tariff for multi-industry charges had been filed with the Commission.

DIVISION OF COMMUNICATIONS- ANALYSIS

ITS Telecommunications Systems, Inc. (ITS) filed an administrative tariff on November 10, 1998, to implement convergent billing. By convergent billing, ITS is proposing to bill for other services, specifically, water and wastewater. ITS is a price-capped LEC with less than 100,000 access lines in Florida (specifically, Indiantown). As a price-capped LEC, ITS' non-basic services tariffs are presumptively valid and become effective 15 days from the date of filing.¹ In this instance, neither the statute nor Commission rules address issues of convergent billing.

Staff is concerned that convergent billing may conflict with the Commission's on-going investigation regarding telecommunications billing practices. In this instance, staff does not believe that convergent billing will adversely affect the outcome of the Commission's study, since the billing practice of "cramming" and other fraudulent activities involve the unauthorized billing of a telecommunication's subscriber for services the subscriber has otherwise not ordered and may not be receiving. In the proposed convergent billing, the "ride-on" billed item is a regulated, essential service (water and wastewater).

Further, staff is unsure of how ITS will handle the cost allocation of implementing convergent billing, since the "ride-on"

¹ Chapter 364.051(6) (a) provides in part that a price regulated company shall maintain tariffs with the Commission and may set and change its rates on 15 days' notice and that these filings shall be presumptively valid.

billed item (water and wastewater) is for a rate-of-return regulated service. It is staff's opinion that the "ride-on" billed item should be assessed the incremental cost of generating the convergent bill, since the water and wastewater bill will be itemized on the customer's telephone bill. Since there are no Commission rules nor statutory guidance regarding the proposed convergent billing, ITS has proposed to apply any customer's partial payment first to water and wastewater and the balance to regulated telecommunications services, then to non-regulated telecommunications services. Staff notes that the proposed convergent billing may conflict with a narrow interpretation of Rule 25-4.110(9)², Florida Administrative Code; however, staff will broadly interpret the term "regulated" service to include any Commission regulated service.

Following the above points, staff believes that the proposed convergent billing is advantageous to both the Company and the customers alike. The proposed convergent billing will streamline ITS' billing service, resulting in a savings for the rate-of-return subsidiary. Further, since convergent billing will only bill for Commission regulated services (telecommunications and water and wastewater) that end-users have subscribed to, staff believes that this proposal differs from the draft cramming rules and should be approved to allow ITS' customers to benefit from the proposed convergent billing.

DIVISION OF WATER AND WASTEWATER- ANALYSIS

In consideration of the foregoing, staff believes that convergent billing is cost effective and less time consuming for Indiantown's staff. The utility has stated that "prior to the purchase of the present convergent billing system, ITS (The Telephone Company) prepared bills for Indiantown Company, Inc. (The Water and Wastewater Company) on a shared billing system. Under the old system, ITS ran telephone bills and then processed a separate run for water and wastewater bills. Each set of bills was processed and mailed separately. Accordingly, mailing and postage costs were incurred on both runs. Since the telephone and water and wastewater bills will be combined, processing, mailing and postage costs will now be allocated. Accordingly, costs associated with convergent billing should be less than with separate

² Rule 25-4.110(9), Florida Administrative Code, provides that "Each local exchange company shall apply partial payment of an end user/customer bill first towards satisfying any unpaid regulated charges. The remaining portion of the payment, if any, shall be applied to nonregulated charges."

billings." Further, any allocations of expenses will be determined in the utility's next rate case.

After analyzing the information given by the utility's attorney, staff believes that convergent billing is beneficial to both the utility and its customers. Staff recommends that the following proposed tariff sheets submitted be approved:

WATER TARIFF

Second Revised Sheet No. 10.0
Original Sheet No. 10.1
Second Revised Sheet No. 11.0
Original Sheet No. 11.1

WASTEWATER TARIFF

Second Revised Sheet No. 11.0
Original Sheet No. 11.1
Second Revised Sheet No. 12.0
Original Sheet No. 12.1

ISSUE 2: If the Commission approves Issue 1, should Indiantown Company, Inc. be required to revise its existing water tariff Sheet No. 27.0 and existing wastewater tariff Sheet No. 23.0?

RECOMMENDATION: Yes. If the Commission approves Issue 1, Indiantown should be required to revise its existing water tariff Sheet No. 27.0 and existing wastewater tariff Sheet No. 23.0 to reflect new bills under the convergent billing system. When the utility files revised tariff sheets which are consistent with the Commission's vote, staff should be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision. (BUTTS, VACCARO)

STAFF ANALYSIS: Once Indiantown Company, Inc. implements its monthly billing method to convergent billing, pursuant to the approved tariffs in Issue 1, the utility should file revised water tariff Sheet No. 27.0 and wastewater tariff Sheet No. 23.0. These tariff sheets provide examples of how the actual customer utility bills will appear. On December 30, 1998, the utility's attorney indicated that the utility will file its final version of the bill with a tariff revision in January, 1999. The utility's proposed revised tariffs should contain the appropriate revision level. When the utility files revised tariff sheets which are consistent with the Commission's vote, staff should be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision.

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ISSUE 3: Should the docket be closed?

RECOMMENDATION: Yes. If Issue 1 and Issue 2 are approved, the tariff sheets should be effective in accordance with Rule 25-30.475, Florida Administrative Code. If a protest is filed within 21 days of the issuance of the Order, the tariff sheets should remain in effect pending resolution of the protest. If no timely protest is filed, this docket should be closed. (VACCARO)

STAFF ANALYSIS: If a protest is filed within 21 days of issuance of the Order, the tariff sheets should remain in effect pending resolution of the protest. Upon staff's verification that the utility's timely filing of revised tariffs, as indicated in Issue 2, is in accordance with the Commission's decision, and if no substantially affected person files a protest of the tariff filing within the 21 day protest period, then the docket should be closed administratively.