



# Public Service Commission

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**-M-E-M-O-R-A-N-D-U-M-**

RECORDS AND REPORTING

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RECEIVED-FPSC

**DATE:** APRIL 8, 1999

**TO:** DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYC)

**FROM:** DIVISION OF ELECTRIC AND GAS (DRAPER) *EJD*  
DIVISION OF LEGAL SERVICES (JAYM) *RVE*

**RE:** DOCKET NO. 990179-EI - COMPLAINT OF GLEN WEBB AGAINST FLORIDA POWER & LIGHT COMPANY CONCERNING TARIFF SHEET 4.020, WHICH ALLOWS A LATE PAYMENT FEE TO BE ASSESSED ON PAST-DUE ELECTRIC BILLS.

**AGENDA:** 4/20/99 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

**CRITICAL DATES:** NONE

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\LEG\WP\990179.RCM

### CASE BACKGROUND

In Docket No. 900836-EI, Order No. 24271, issued March 21, 1991, the Commission approved a provision in Florida Power & Light Company's (FPL) Tariff Sheet No. 4.020, which allows FPL to charge a late payment charge. The tariff allows FPL to apply late payment charges when a customer fails to pay a bill by the "past due" date indicated on the bill. The charge is 1.5 percent of any unpaid prior months' billings. Rule 25-6.101, Florida Administrative Code, states that a bill becomes past-due 21 days after the date of mailing. During the past years the Commission also approved similar late payment charges for other Florida utilities. One of the first investor-owned utilities in Florida to receive approval for a late payment charge was Southern Bell. See Order No. 17915, issued July 27, 1987, in Docket No. 870456-TL. In Order No. PSC-95-1087-FOF-EI, issued August 31, 1995, the Commission approved a late payment charge for Florida Power Corporation and in Order No.

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PSC-96-0469-FOF-EI, issued April 4, 1996, the Commission approved a late payment charge for Tampa Electric Company.

On November 3, 1998, Mr. Glen Webb filed a complaint with the Division of Consumer Affairs (CAF) regarding the addition of a \$0.16 late payment charge to his bill. Mr. Webb expressed concern that FPL is allowed to assess a late payment charge on unpaid balances. After Mr. Webb contacted CAF, FPL removed the \$0.16 charge as a customer courtesy and CAF forwarded the complaint to the Division of Electric and Gas (EAG) to address the customer's concern regarding the tariff. EAG responded to the customer on January 26, 1999, explaining that the charge had been approved by the Commission in 1991 and the reason for its approval. Mr. Webb responded with a letter requesting that a formal proceeding be opened for the Commission to consider reducing or eliminating the late payment charge.

**ISSUE 1:** Should the Commission modify the provision in Tariff Sheet No. 4.020, which allows FPL to charge a late payment charge?

**RECOMMENDATION:** No. The late payment charge appropriately places the costs caused by late paying customers on those customers and not on the general body of ratepayers who pay their bills on time.

**STAFF ANALYSIS:** In its order approving the late payment charge for Southern Bell, the Commission stated that "this Commission has consistently taken action to place costs on the cost-causer rather than the general body of ratepayers. We see no reason for the general body of ratepayers to support late-paying customers." In its order approving FPL's late payment charge the Commission expressed a similar sentiment:

We agree with FPL that a late payment charge will more properly collect the costs of unpaid balances from those customers who do not pay their bills on time. The charge should also encourage prompt payment of bills, thus reducing expenses associated with late payments.

Fees for late payment or non-payment are a reasonable, accepted business practice. Utility rates are set assuming that customers will pay their bills in the specified time frame, i.e., with the 20 days stated on the bill. The utility incurs costs to provide power and when expected revenue is not received by the due-date, the utility incurs additional costs. FPL states that in 1998 total expenses to cover costs for residential, commercial, and industrial accounts that did not pay by the past-due date amounted to approximately \$22,000,000. Account write-offs are the main contributor to those costs. The revenues generated in the same year by the late payment charge were \$13,735,000.

Information provided by FPL indicates that 49 percent of its residential customers incurred one or more late payment charge in 1998. Of those 49 percent, 16 percent incurred one late payment charge, 13 percent incurred 2 or 3 late payment charges, 10 percent incurred 4, 5, or 6 late payment charges, and 10 percent incurred 7 or more late payment charges. The average late payment charge in 1998 paid by a residential customer was \$1.65. The average late payment charge paid by a commercial customer for the same period was \$5.10.

Mr. Webb alleges that some residential customers may not have a viable way to avoid the late payment charge. FPL offers several payment programs to assist customers. The *62Plus Plan* is directed

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at FPL's senior citizen customers. The plan is optional and extends the due date to coincide with the date customers receive Social Security or other fixed income payments. The *Double Notice Protection Plan* designates a third party to receive notification of any final notice rendered on an account. This plan protects customers who may misplace or forget their bill. *Automatic Fund Transfer* allows FPL to automatically withdraw the bill amount from the customer's bank account, based on a pre-authorization from the customer. This option eliminates postage cost and check writing for the customer. *CheckFree E-Bill* allows customers with access to the Internet to electronically receive and pay bills from anywhere in the world. Customers that do not have a bank account, can pay with cash or money order at payagents. FPL accepts money orders and cashier checks through the mail. There is no charge for any of the optional services listed.

Staff notes that the tariff provides for FPL to apply the late payment charge for charges which are unpaid as of the past due date (day 21). It is FPL's policy, however, to not apply the late payment charge until the next bill calculation date (day 30). This "grace period" between the past-due date and the next billing date is uniformly applied to all customers and provides a few extra days for payment to reach FPL before a late payment charge is assessed.

In summary, the late payment charge is an appropriate charge which places the costs associated with unpaid bills on the cost causer and encourages prompt payment, thereby reducing expenses associated with unpaid balances. Staff recommends that the late payment provision in Tariff Sheet No. 4.020 should not be modified.

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**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** Yes. If no person whose substantial interests are affected by the Commission's order in this docket timely files a protest within 21 days of the issuance of this order, this docket should be closed.

**STAFF ANALYSIS:** If no person whose substantial interests are affected by the Commission's order in this docket timely files a protest within 21 days of the issuance of this order, this docket should be closed.