



Public Service Commission

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RECORDS AND REPORTING

DATE: MARCH 23, 2000

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

FROM: DIVISION OF ELECTRIC AND GAS (DRAPER, BROWN) ^{EJD} ^{DW} ^{SSB}
DIVISION OF WATER AND WASTEWATER (BINFORD) ^{CS}
DIVISION OF LEGAL SERVICES (ISAAC) ^{RNE} ^{RVE} ^{CRBA} ^{RP} ^{AND} ^{JOJ} ^{AKK}

RE: DOCKET NO. 000165-PU - PETITION BY FLORIDA PUBLIC UTILITIES COMPANY FOR APPROVAL OF REVISIONS TO SERVICE CHARGE TARIFFS, SCHEDULES NO. 22.L (ELECTRIC), NO. 22 (GAS), AND NO. 17.1 (WATER), WHICH WOULD PROVIDE FOR LATE PAYMENT CHARGE.

AGENDA: 4/4/2000 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: 4/10/2000

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\EAG\WP\000165.RCM

CASE BACKGROUND

On February 10, 2000, Florida Public Utilities Company (FPUC) filed a petition for approval of a late payment charge. FPUC's proposed late payment charge will apply to FPUC's electric Fernandina Beach and Marianna Divisions, Natural Gas Divisions, and Fernandina Beach Water Divison.

FPUC proposes to apply a late payment charge when a customer fails to pay a bill by the past-due date indicated on the customer's bill. Rules 25-6.101, Florida Administrative Code, 25-7.090, Florida Administrative Code, and 25-30.335(4), Florida Administrative Code, require that bills shall not be considered delinquent prior to the expiration of 20 days from the date of mailing. The proposed late payment charge for customers is 1.5

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percent of any unpaid prior months' billings except for accounts of federal, state, and local government entities. These governmental entities are subject to the imposition of a late payment charge in accordance with Section 215.422, Florida Statutes (state agencies), Section 218.70-.79, Florida Statutes (local governmental agencies), and 31 U.S.C. 3901-3907 (federal governmental agencies).

The Commission has approved late payment charges similar to the charge proposed by FPUC for several other Florida electric, gas, and water utilities. In Order No. PSC-95-1087-FOR-EI, issued August 31, 1995, the Commission approved a late payment charge for Florida Power Corporation; in Order No. PSC-96-0469-FOF-EI, issued April 4, 1996, the Commission approved a late payment charge for Tampa Electric Company; and in Order No. 24271, issued March 21, 1991, the Commission approved a late payment charge for Florida Power & Light Company.

With respect to gas utilities, the Commission has granted authority to assess a late payment fee to Sebring Gas System, Inc. in Order No. PSC-99-1953-TRF-GU; City Gas Company of Florida in Order No. PSC-98-0261-FOR-GU; Peoples Gas System, Inc. in Order No. PSC-96-0371-FOR-GU; and St. Joe Natural Gas Company in Order No. PSC-96-1000-FOR-GU.

Finally, the Commission granted approval for a late payment charge for Vineyards Utility, Inc. in Order No. 18622, issued December 31, 1987, in Docket No. 870331-WS; and for Sunray Utilities, Inc. in Order No. 20252, issued November 3, 1988, in Docket No. 870649-WS.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve FPUC's proposed revised electric tariff sheet (Seventh Revised Sheet No. 22.1) containing the late payment charge?

RECOMMENDATION: Yes, the Commission should approve FPUC's petition for a revision to its electric tariff sheet to include a provision for a late payment charge. Prior to implementation, FPUC should provide a thirty-day advance notice to its customers. A sample of the notice should be submitted to the Commission's Division of Electric and Gas for staff approval prior to implementation. (DRAPER)

STAFF ANALYSIS: Information provided by FPUC indicates that on average 22 percent of its accounts at the Marianna Division and 20 percent of its accounts at the Fernandina Beach Division are classified as delinquent. Accounts are delinquent when payment is not received by the past due date indicated on the customer's bill. FPUC's monthly past due receivables at the time of billing average \$757,885 for both electric divisions.

Fees for late-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., within 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. FPUC states that in 1999 total expenses to cover costs for accounts that did not pay by the past-due date amounted to \$220,000. Additional collection efforts and account write-offs were the main contributors to those costs.

Staff believes that the late payment charge is an appropriate charge that places the costs associated with unpaid bills on the cost causer, and encourages prompt payment, thereby reducing expenses associated with unpaid balances. Prior to implementation, FPUC should provide a thirty-day advance notice to its customers. FPUC should submit a sample of the notice to the Commission's Division of Electric and Gas for staff approval prior to implementation.

ISSUE 2: Should the Commission approve FPUC's proposed revised gas service charge tariff (Eleventh Revised Sheet No. 22 and First Revised Sheet No. 22.1), which would provide for a late payment charge?

RECOMMENDATION: Yes, the Commission should approve FPUC's petition for approval of revisions to its gas tariff to provide a provision for a late payment charge. Prior to implementation, FPUC should provide a thirty-day advance notice to its customers. A sample of the notice should be submitted to the Commission's Division of Electric and Gas for staff approval prior to implementation. (BROWN)

STAFF ANALYSIS: To support its petition FPUC states that approximately 22 percent of FPUC's gas accounts are delinquent. FPUC's monthly past due receivables at the time of billing average \$679,000. FPUC further indicates that in 1999 total expenses to cover costs for delinquent accounts were \$209,500. Additional collection efforts and account write-offs were the main contributors to those costs. FPUC states that by applying a late payment charge the company will be able to allocate the costs associated with unpaid balances directly to those customers who do not pay their bills timely.

Staff believes that the late payment charge is appropriate and therefore recommends approval. Staff recommends that, prior to implementation, FPUC should provide a thirty-day advance notice to its customers. FPUC should submit a sample of the notice to the Commission's Division of Electric and Gas for approval prior to implementation.

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ISSUE 3: Should the Commission approve the petition of FPUC for revision of its water tariff (Third Revised Sheet No. 17.1) to include a provision for a late payment charge?

RECOMMENDATION: Yes, the Commission should approve FPUC's petition for a revision to its water tariff to include a provision for a late payment charge. Prior to implementation, FPUC should provide a thirty-day advance notice to its customers. A sample of the notice should be submitted to the Commission's Division of Water and Wastewater for staff approval prior to implementation. (BINFORD)

STAFF ANALYSIS: FPUC states that approximately 21.6 percent (21.6%) of its water division accounts were classified as delinquent accounts for 1999. Accounts are delinquent when payment is not received by the past due date indicated on the customer's bill. FPUC's monthly past due receivables for the water division average \$52,836. Assuming past due balances remain at this level, the late charges could generate \$9,510 annually and would be recorded to account 471 (miscellaneous service revenues). Total expenses in 1999 to cover costs for delinquent accounts were \$26,300. Additional collection efforts by FPUC were the main contributor to those costs.

As mentioned in the case background, the Commission has previously approved late payment charges similar to the charge proposed by FPUC. FPUC believes that the provision for a late payment charge will allow it to more properly collect the costs associated with unpaid balances on customer accounts from those customers responsible for such costs. Accordingly, staff recommends that this petition be approved. Prior to implementation, FPUC should provide a thirty-day advance notice to its customers. A sample of the notice will be submitted to the Commission's Division of Water and Wastewater for staff approval prior to implementation.

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ISSUE 4: What is the appropriate effective date for the late payment charge?

RECOMMENDATION: The effective date for the revised tariff sheets should coincide with the ability of FPUC's billing system to implement and administer the late payment charges. Staff should be authorized to administratively approve the effective date. (DRAPER)

STAFF ANALYSIS: FPUC states that its billing system will be able to implement and administer the late payment charges by October 2000. Staff recommends that the Commission approve these charges and allow staff to administratively approve the effective date once FPUC has modified its billing system. The Commission has approved a similar effective date for Florida Power Corporation's Petition for approval of late payment charge. See Order No. PSC-95-1087-FOF-EI, issued August 31, 1995, in Docket No. 950753-EI.

ISSUE 5: Should this docket be closed?

RECOMMENDATION: Yes, if no protest is filed within 21 days of the issuance of the order. (ISAAC)

STAFF ANALYSIS: If a protest is filed within 21 days of the Commission order approving this tariff, the tariff should remain in effect pending resolution of the protest, with any charges held subject to refund pending resolution of the protest. If no protest is filed, this docket should be closed upon the issuance of a Consummating Order.