



Public Service Commission

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RECORDS AND REPORTING

DATE: JUNE 8, 2000

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

FROM: DIVISION OF ECONOMIC REGULATION (FITCH, RENDELL)
DIVISION OF LEGAL SERVICES (JAEGER)

RE: DOCKET NO. 000552-WU - TARIFF FILING BY PALM CAY UTILITIES, INC. REQUESTING TO ESTABLISH A LATE PAYMENT CHARGE

DOCKET NO. 000552-WU - PALM CAY UTILITIES, INC.
COUNTY: MARION

AGENDA: 06/20/00 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE JULY 3, 2000

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\000552.RCM

CASE BACKGROUND

Palm Cay Utilities, Inc. (Palm Cay or utility) is a Class B water only utility located in Marion County. Based on the 1999 Annual Report, the utility provides water service to 819 customers. For calendar year ended December 31, 1999, the utility recorded revenues of \$210,768, and expenses of \$207,021 resulting in income of \$3,747.

On May 5, 2000, Palm Cay filed an application requesting the approval of a \$2 late payment charge. The utility stated in its filing that the purpose of this charge is to provide incentive for customers to make timely payments and to recover the excess cost associated with processing late payments by placing the cost burden of processing such delinquent notices and accounts squarely upon those who are the cost causers.

DOCUMENT NUMBER-DATE

06851 JUN-68

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DISCUSSION OF ISSUES

ISSUE 1: Should Palm Cay Utilities, Inc.'s proposed tariff to implement a \$2 late payment charge be approved?

RECOMMENDATION: Yes, the tariff to implement a late payment charge should be approved and should become effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(2), Florida Administrative Code, provided the customers have received notice. (FITCH)

STAFF ANALYSIS: Palm Cay filed a tariff request for approval to implement a late charge of \$2, pursuant to Section 367.091(5), Florida Statutes. This Section authorizes the utility to establish, increase, or change a rate or charge other than monthly rates for service and service availability. However, the application must be accompanied by cost justification. The utility stated in its filing that the purpose of this charge is not only to provide an incentive for customers to make timely payment, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing such delinquencies solely upon those who are the cost causers.

Palm Cay provided the following cost justification:

- \$1.75 Labor (Separating past due bills, looking up in the computer and auditing each account. Approximately 10 minutes to handle each account)
- \$0.05 Printing of late notice
- \$0.20 Postage
- \$2.00 Total

Staff finds these amounts to be reasonable. The utility also provided information that over the past two years the average number of customers serviced was 822 and the average number of customers who were delinquent was 12. The utility also stated that in the past two years, only one customer has had water service disconnected and only one customer has been charged a fee in lieu of disconnection for late payment. The utility stated by phone conversation on 5/11/00 that it tries to avoid discontinuing the customer service.

In the past, late payment fee requests have been handled on a case-by-case basis. The Commission has approved late fees in the amount of \$3 for both water and wastewater operations: by Order No. 22455, issued January 24, 1990, in Docket No. 891365-WS, Ortega Utility; by Order No. PSC-92-0611-FOF-WS, issued July 7, 1992, in

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Docket No. 920349-WS, Palm Coast Utility Corporation; by Order No. PSC-92-0779-FOF-WS, issued August 10, 1992, in Docket No. 920535-WS, Ferncrest Utilities, Inc.; and by Order No. PSC-97-1616-FOF-SU, issued December 24, 1997, in Docket No. 971441-SU, Gulf Aire Properties, Inc. A \$2 late fee was approved for Keen Sales, Rentals, and Utilities, Inc. in Order No. PSC-98-1752-FOF-WU, issued December 22, 1998, in Docket No. 980536-WU.

Presently, Commission rules provide that late payers may be required by the utility to provide an additional deposit. However, the Commission found in Order No. PSC-96-1409-FOF-WU, issued November 20, 1996, in Docket No. 960716-WU, Crystal River Utilities, Inc., that there is no further incentive for either delinquent or late paying customers to pay their bills on time after the additional deposit. In that same Order, the Commission also found that the cost causer should pay the additional cost incurred to the utility by late payments, rather than the general body of the utility's rate payers.

Staff believes that the goal of allowing late fees to be charged by a utility is two fold: first, to encourage current and future customers to pay their bills on time; and second, if payment is not made on time, to insure that the cost associated with the late payments is not passed on to the customers who do pay on time. Even though Palm Cay delinquent accounts make up a small percentage of its customer accounts receivable, allowing a late fee will encourage prompt payment by current and future customers. Therefore, Staff recommends that, consistent with the dockets cited above, the \$2 late payment should be approved. The charge should become effective for services rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(2), Florida Administrative Code, provided the customers have received notice.

ISSUE 2: Should the docket be closed?

RECOMMENDATION: 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 with any increase held subject to refund pending resolution of the protest, and the docket should remain open. If no timely protest is filed, this docket should be closed, upon the issuance of a Consummating Order. (FITCH, JAEGER)

STAFF ANALYSIS: 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 with any increase held subject to refund pending resolution of the protest, and the docket should remain open. If no timely protest is filed, this docket should be closed, upon the issuance of a Consummating Order.