



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

RECEIVED: FPSC
02 JUL 25 AM 10:59
COMMISSION CLERK

DATE: JULY 25, 2002

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK
ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (REVELL, MERCHANT)
OFFICE OF THE GENERAL COUNSEL (VINING) *AEV* *180*

RE: DOCKET NO. 020551-WU - REQUEST FOR APPROVAL OF LATE
PAYMENT CHARGE IN BROWARD COUNTY BY BROADVIEW PARK WATER
COMPANY.
COUNTY: BROWARD

AGENDA: 08/06/02 - REGULAR AGENDA - TARIFF FILING - INTERESTED
PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: AUGUST 20, 2002

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\020551.RCM

CASE BACKGROUND

Broadview Park Water Company (Broadview or utility) is a Class B water-only utility located in Broward County. The utility serves approximately 1,600 residential and 160 commercial and industrial customers with water purchased for resale from the City of Ft. Lauderdale. For the calendar year ended December 31, 2001, the utility recorded net operating revenues of \$721,643, and operating expenses of \$738,582. This resulted in an operating loss of \$16,939.

On June 21, 2002, Broadview filed an application requesting the approval of a \$5 late payment charge. The utility stated that the purpose of this charge is not only to recover the excess cost of processing late payments, but also to provide an incentive for customers to make timely payments. The Commission has jurisdiction pursuant to Section 367.091, Florida Statutes.

DOCUMENT NUMBER-DATE

07780 JUL 25 02

FPSC-COMMISSION CLERK

DISCUSSION OF ISSUES

ISSUE 1: Should Broadview Park Water Company's proposed tariff to implement a \$5 late payment charge be approved?

RECOMMENDATION: Yes, the utility's proposed tariff to implement a late payment charge should be approved and should become effective for service rendered on or after staff's approval of the filed tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice and after staff has verified that the proposed customer notice is adequate. The utility should provide proof that the customers have received notice within 10 days after the date of the notice. (REVELL)

STAFF RECOMMENDATION: Currently, the utility's approved billing tariff contains no provision for late payment charges. The utility filed a tariff request for approval to implement a late charge of \$5, pursuant to Section 367.091(6), 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. The application must be accompanied by cost justification. The utility stated that the purpose of this charge is to provide an incentive for customers to make timely payments and to recover the excess cost associated with processing late payments. The charge places the cost burden of processing delinquent notices and accounts solely upon those who are the cost causers.

Broadview Park provided the following cost justification:

- \$3.10 Labor (Search accounts, review and verify payment has not been received. Approximately 10 minutes to handle each account)
- \$1.55 Printing of late notice
- \$0.34 Postage for standard envelope
- \$0.01 Cost of envelope and paper
- \$5.00 Total

Staff believes that \$5 is a reasonable late fee charge for this utility. A late fee of less than \$5 would not allow the utility to recover its costs of processing delinquent accounts.

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 \$5 by Order No. PSC-96-1409-FOF-WU, issued November 20,

DOCKET NO. 020551-WU

DATE: July 25, 2002

1996, in Docket No. 960716-WU, Crystal River Utilities, Inc., finding 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; by Order No. PSC-98-1585-FOF-WU, issued November 25, 1998, in Docket No. 980445-WU, Morningside Utility, Inc.; and by Order No. PSC-01-2093-TRF-WS in Docket No. 011034-WS, W. P. Utilities, Inc.

Presently, Commission rules provide that late payers may be required by the utility to provide an additional deposit. However, there is no further incentive for either delinquent or late paying customers to pay their bills on time after the additional deposit.

In Order No. PSC-01-0998-TRF-WU, issued April 23, 2001, in Docket No. 010232-WU, the Commission found 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. Allowing a late fee will encourage prompt payment by current and future customers. Therefore, staff recommends that, consistent with Order No. PSC-01-0998-TRF-WU, the \$5 late payment should be approved.

The charge should become effective for services rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(2), Florida Administrative Code, provided the customers have received notice. The revised tariff sheet should be submitted with sufficient time for staff to verify that the tariff is consistent with the Commission's decision, and that the proposed notice to the customers is adequate. Staff should be permitted to administratively approve the tariff sheet upon verification of the above. The utility should provide proof to staff of the date notice was given within 10 days after the date of notice.

DOCKET NO. 020551-WU

DATE: July 25, 2002

ISSUE 2: Should the docket be closed?

RECOMMENDATION: Yes. If Issue 1 is approved, the revised tariff should become effective on or after the stamped approval date on the revised tariff sheet, pursuant to Rule 25-30.475, Florida Administrative Code. If a protest is filed within 21 days of the issuance date of the Order, the tariff should remain in effect with all late payment charges held subject to refund pending resolution of the protest, and the docket should remain open. If no timely protest is filed, the docket should be closed upon the issuance of a Consummating Order. (VINING, REVELL)

STAFF ANALYSIS: If Issue 1 is approved, the revised tariff should become effective on or after the stamped approval date on the revised tariff sheet, pursuant to Rule 25-30.475, Florida Administrative Code. If a protest is filed within 21 days of the issuance date of the Order, the tariff should remain in effect with all late payment charges held subject to refund pending resolution of the protest, and the docket should remain open. If no timely protest is filed, the docket should be closed upon the issuance of a Consummating Order.