



Public Service Commission
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COMMISSION CLERK

DATE: NOVEMBER 20, 2002

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

FROM: DIVISION OF ECONOMIC REGULATION (JOYCE, BAXTER, MERCHANT) OFFICE OF THE GENERAL COUNSEL (JAEGER)

Handwritten signatures and initials: J. D. W., B., M., and others.

RE: DOCKET NO. 021024-WU - REQUEST FOR APPROVAL OF FOURTH REVISED TARIFF SHEET NO. 17.1, TO CHANGE LATE FEE PROVISIONS TO ASSIST IN REDUCING LATE PAYMENT AMOUNTS AND TO REDUCE BAD DEBTS TO HISTORICAL LEVEL, BY FLORIDA PUBLIC UTILITIES COMPANY (FERNANDINA BEACH SYSTEM) IN NASSAU COUNTY.

DOCKET NO. 021127-EI - REQUEST FOR APPROVAL OF EIGHTH REVISED TARIFF SHEET NO. 22.1 TO CHANGE LATE FEE PROVISIONS TO ASSIST IN REDUCING LATE PAYMENT AMOUNTS AND TO REDUCE BAD DEBTS TO HISTORICAL LEVEL BY FLORIDA PUBLIC UTILITIES.

AGENDA: DECEMBER 2, 2002 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: DECEMBER 5, 2002

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\GCL\WP\021024.RCM

CASE BACKGROUND

On October 7, 2002, Florida Public Utilities Company (FPUC or utility) filed applications to change the late fee provision in its water and electric tariffs to include a \$5.00 minimum charge. FPUC has electric divisions in Fernandina Beach and Marianna and a water division in Fernandina Beach. The utility's gas division already has implemented the minimum late payment charge.

DOCUMENT NUMBER-DATE

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Currently, FPUC's water and electric customers who pay their bills after the past due date are assessed a late charge equal to 1.5% of the outstanding balance. FPUC is proposing to modify the charge so that customers will pay 1.5% of the unpaid balance or \$5.00, whichever amount is higher. The utility has proposed the implementation of the \$5.00 minimum to reduce both late payments and bad debts.

This recommendation addresses staff's analysis of the utility's requested tariff changes. The Commission has jurisdiction pursuant to sections 366.03, 366.04, and 367.091, Florida Statutes.

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ISSUE 1: Should the Commission approve FPUC's proposed water and electric tariffs to reflect the addition of a \$5.00 minimum to the late payment charge?

RECOMMENDATION: Yes. The charge should become effective for services rendered on or after the stamped approval date on the tariff sheet, provided the customers have received notice. The revised tariff sheet should be submitted with sufficient time for Commission 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 Commission staff of the date notice was given within 10 days after the date of the notice.

STAFF ANALYSIS: Currently, the utility's water and electric tariffs state that the balance of all past due charges for services rendered are subject to a Late Payment Charge of 1.5%, except the 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), Sections 218.70-.79, Florida Statutes (local governmental agencies), and 31 U.S.C. 3901-3907 (federal governmental agencies).

The utility proposes to change the tariff to read "1.5% or \$5.00, whichever is greater". This change is needed in order to reduce late payment amounts and to reduce bad debts. The utility states that this change will reduce its collection costs that are absorbed by all customers and will strongly encourage customers to keep current on their monthly payments.

FPUC states that from January 2002 to September 2002, approximately 22.43 percent of FPUC's accounts were delinquent. Accounts are delinquent when payment is not received by the due date indicated on the customer's bill, which is approximately twenty days from the date of mailing. FPUC proposes to assess a late payment fee for all customers failing to pay their bill by the past due date.

FPUC states that its total past due receivables from January 2002 through September 2002 were \$3,968,325. According to FPUC, the cost to implement this change will be minimal and should involve only minor labor costs.

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FPUC anticipates the following annual revenue increase based on approval of the proposed change:

Marianna Electric	\$78,000
Fernandina Beach Electric	\$62,000
Fernandina Beach Water	\$36,000

FPUC states that as customers realize the benefits of paying their electric and water bills prior to the delinquent date, these revenues will decrease.

The Commission has recently approved this type of late payment provision in FPUC's gas division. The Commission has also granted the authority to assess a \$5.00 minimum late payment fee to Broadview Park Water Company by Order No. PSC-02-1116-TRF-WU, issued August 8, 2002, in Docket No. 020551-WU.

Staff believes that the \$5.00 minimum late payment charge allows the utility to recover the costs incurred in processing delinquent accounts. Further, it 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. In the Broadview Park docket, the Commission determined that \$5.00 was representative of the actual costs incurred in processing delinquent accounts. Staff believes that the actual costs in processing delinquent accounts will be similar for FPUC. Based on the above, staff believes the minimum late payment charge should be approved.

Staff recommends that the charge should become effective for services rendered on or after the stamped approval date on the tariff sheets, provided the customers have received notice. The revised tariff sheets should be submitted with sufficient time for Commission staff to verify that the tariffs are 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 sheets upon verification of the above. The utility should provide proof to Commission staff of the date notice was given within 10 days after the date of the notice.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: 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.

STAFF ANALYSIS: 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.