

State of Florida



Public Service Commission
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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: OCTOBER 22, 2003

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

FROM: DIVISION OF ECONOMIC REGULATION (BIGGINS, RENDELL) *JB*
OFFICE OF THE GENERAL COUNSEL (RODAN) *JAR* *Wast*

RE: DOCKET NO. 030950-WU - REQUEST FOR APPROVAL TO ADD "SET RATE" LATE FEE OF \$2.00 TO WATER TARIFF IN MARION COUNTY BY SUNSHINE UTILITIES OF CENTRAL FLORIDA, INC. *JDJ*
COUNTY: MARION

AGENDA: 11/03/03 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: NOVEMBER 28, 2003

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\030950.RCM

CASE BACKGROUND

Sunshine Utilities of Central Florida, Inc. (Sunshine or utility) is a Class B water utility located in Marion County. According to the 2002 Annual Report, it serves approximately 3,143 water customers. The utility recorded revenues of \$829,575 and operating expense of \$787,696 for water. This resulted in a net operating income of \$41,879.

On September 29, 2003, Sunshine filed an application requesting the approval of a \$2 late payment charge for each account that is not paid by the due date. The Commission has jurisdiction pursuant to Section 367.091, Florida Statutes.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

ISSUE 1: Should Sunshine's proposed tariff to implement a \$2 late payment charge be approved?

RECOMMENDATION: Yes. Fifth Revised Tariff Sheet No. 20.0 filed on September 29, 2003 should be approved as filed. The tariff sheet should be implemented on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.457(2), Florida Administrative Code, provided the customers have received notice.

STAFF ANALYSIS: The utility filed a tariff request for approval to implement a "Set Rate" late payment charge of \$2, 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 or service on service availability. However, the application must be accompanied by cost justification pursuant to Section 367.091(6), Florida Statutes. The utility's current approved billing tariff does not state if the bill is not paid by the due date that late fees may be applied.

The utility provided the following computations as cost justification for its request:

- \$1.78 Running the pre-bill list and auditing each account by looking up in the computer. Checking payments for delinquent notices and comparing with the pre-bill list. Tearing apart delinquent notices and preparing form for bulk mailing. Obtaining check for postage. Delivering delinquent notices to post office with check for postage.
- \$0.23 Post Card postage for delinquent notices.
- \$2.01 Total

As shown above, the utility provided documentation showing that it incurs a cost of \$2.01 per late account. The \$0.01 difference between the utility's cost to send a late notice and its requested \$2 charge is considered to be nominal by staff. The utility serves approximately 3,700 customers, and according to its office manager, 25% of the bills are delinquent each billing cycle.

In the past, late payment fee requests have been approved on a case-by-case basis. By Order No. PSC-01-0998-TRF-WU, issued April 23, 2001, in Docket No. 010232-WU, In Re: Request for approval of tariff filing to add "set rate" late fee to water

tariff, by Lake Yale Treatment Associates, Inc. in Lake County, the Commission found that the cost causer should pay the additional cost incurred by the utility, for late payments, rather than the general body of the utility's rate payers. By Order No. PSC-00-2165-TRF-WU, issued November 14, 2000, in Docket No. 001325-WU, In Re: Request for approval of tariff filing to establish a late payment charge in Polk County by Bieber Enterprises, Inc. d/b/a Breeze Hill Utilities, the Commission approved late fees in the amount of \$4.

Presently, Commission rules provide that late payers maybe 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.

Staff believes that the goal of allowing late fees to be charged by a utility is twofold: 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 collecting late payments is not passed on to the customers who do pay on time. As stated earlier, the utility asserts that 25% of the utility customers are late payers. Allowing a late fee will encourage prompt payment by current and future customers.

For the foregoing reasons, Staff recommends that, consistent with prior Commission practice, the \$2 late payment charge should be approved. Further, staff recommends that the Fifth Revised Tariff Sheet No. 20.0, filed on September 29, 2003, to reflect the \$2 late payment charge should be approved as filed. The tariff sheet should be implemented 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 notices.

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ISSUE 2: Should the docket be closed?

RECOMMENDATION: If Issue 1 is approved, the tariff should become effective on or after the stamped approval date on the 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, this docket should be closed upon the issuance of a Consummating Order. (RODAN, BIGGINS)

STAFF ANALYSIS: If Issue 1 is approved, the tariff should become effective on or after the stamped approval date on the 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, this docket should be closed upon the issuance of a Consummating Order.