

State of Florida



Public Service Commission

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DATE: May 19, 2005

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Baxter) *B. Baxter*
Office of the General Counsel (Jaeger) *J. Jaeger*

RE: Docket No. 050244-EI – Request to establish charge for customers paying by credit card, debit card or electronic check, by Florida Public Utilities Company.

AGENDA: 05/31/05 – Regular Agenda – Tariff Filing – Interested Persons May Participate

CRITICAL DATES: 06/03/05 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\050244.RCM.DOC

Case Background

On April 4, 2005 Florida Public Utilities Company (FPUC) petitioned the Commission for approval of a new service charge for customers of FPUC's electric utility. The service charge would apply to those residential and commercial customers who opt to pay their monthly electric bill by credit card, debit card or electronic check. The proposed charge is \$3.50 for residential customers and 3.5% of the total amount of the bill for all other customers.

The Commission has jurisdiction over this matter pursuant to Sections 366.04, and 366.05, Florida Statutes.

DOCUMENT NUMBER-DATE

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Discussion of Issues

ISSUE 1: Should the Commission grant FPUC's petition for approval of its proposed service charge for customers paying their monthly electric bill by credit card, debit card, or electronic check?

RECOMMENDATION: Yes. (Baxter)

STAFF ANALYSIS: On April 4, 2005, FPUC petitioned the Commission for approval of a new service charge for FPUC's electric customers who pay their monthly bills by credit card, debit card or electronic check.

Currently, FPUC does not accept credit card, debit card, or electronic check payments for electric bills unless there is an emergency situation, for example when a customer's power is about to be disconnected for nonpayment. In response to customer demand, FPUC proposes to begin routinely accepting payment by credit card, debit card, and electronic check. The proposed charge is \$3.50 for residential customers, and 3.5% of the total bill amount for all other customers. The charge is designed to recover the costs FPUC will incur for customer contact, supervision, and bank and credit card processing. FPUC will treat the revenues from the charge as base rate revenues. If approved, the service charge will become effective on June 1, 2005.

In response to staff inquiries, FPUC stated that it chose a fixed fee of \$3.50 for residential customers since it approximates the costs the company will incur to handle a \$100 payment. The company submitted data showing that the average residential payment is approximately \$98.00. FPUC stated that it chose a percentage fee for payments by commercial customers because the \$3.50 charge would not cover the higher costs of the average commercial transaction, and that a percentage fee for commercial customers would more accurately assign costs. For the average commercial transaction amount of \$756, the company would incur costs of \$24.55.

FPUC provided cost support for the costs involved in handling credit card transactions. FPUC incurs fixed costs of \$1.84 (which covers customer contact, supervision, and equipment costs) and variable costs of 1.8% of the total amount of the transaction covering the processing and remote payment costs to handle credit card transactions for residential customers. For commercial and industrial customers, FPUC incurs fixed costs of \$5.12 and variable costs of 2.57% of the total amount of the transaction. The company forecasts some 880 residential and 140 commercial transactions annually, generating combined revenues of \$6,784. The company estimates it will retain \$2,257 and remit \$4,527 to banks and credit card firms.

FPUC's direct collection of a service charge for accepting credit cards, debit cards, and electronic checks differs from the other investor-owned electric utilities, which send or transfer the customer to third-party payment processing centers. These third-party entities collect fees that range from \$4.95 to \$5.95 per transaction. FPUC stated that it was cheaper and more efficient to retain the customer service and machine entry functions within the company than to send the customers to a third party.

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After reviewing and analyzing the cost support for the new service charge, staff believes the submitted data adequately supports the new charge. The percentage service charge FPUC proposes for commercial and industrial customers is similar to what the Commission approved for FPUC's gas utility in Order No. PSC-04-1110-PAA-GU, issued November 8, 2004, in Docket No. 040216-GU, In Re: Application for rate increase by Florida Public Utilities Company. Staff believes the new charge will benefit customers by expanding their payment options. The fee will also insure that FPUC's remaining customers do not subsidize those customers who choose to pay using these optional methods. Staff therefore recommends approval of the new credit card, debit card, and electronic check service charge.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If issue 1 is approved, this tariff should become effective on June 1, 2005. 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. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (JAEGER)

STAFF ANALYSIS: If issue 1 is approved, this tariff should become effective on June 1, 2005. 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. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.