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REPLY TO CENTRAL FLORIDA OFFICE

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Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

RE: Docket No.: 060726-WS; Application of Silver Lake Utilities, Inc., to Operate a Water Utility in Glades and Highlands Counties, and a Wastewater Utility in Glades County
Our File No.: 40001.01

Dear Ms. Cole:

The Staff has requested that Silver Lake Utilities, Inc., provide cost basis and justification for its requested miscellaneous service charges, late fee, and customer deposit.

Miscellaneous Service Charges. We have previously filed the cost basis for the requested miscellaneous service charges. The justification for miscellaneous service charges is to place the burden of these charges on the cost-causer rather than the general body of ratepayers.

Late Fee. As the Commission has noted in many Orders, the justification for a late payment fee is two-fold: "first, it is to encourage current and future customers to pay their bills on time, and second, if the payment is not made on time, to ensure that the cost associated with late payment is not passed on to customers who do pay on time." In other words, the cost of processing delinquencies should be placed upon the cost-causers. As the basis for the requested \$5.00 late fee (which the Commission has previously determined to be a default amount which was approved without the necessity to provide a cost basis) is estimated as follows:

\$3.75	Labor (search accounts, review and verify payment has not been received - 15 minutes)
.41	Postage
<u>.84</u>	Costs of envelope, paper and printing
\$5.00	

Customer Deposit. The Commission recently stated: "Not only is collecting a customer deposit to recover this two-month period of service consistent with our past practice, it is also consistent with one of the fundamental principals [sic] of rate making-ensuring that the cost of providing service is recovered from the cost-causer." If utilities do not collect adequate deposits to recover the cost of providing service, the result would be an increase in its bad debt expense. Ultimately, the bad debt expense is included in the utility's revenue requirement and, therefor, is included in the cost of service charged to the general body of ratepayers. The cost bases for the requested customer deposits are as follows (assuming the average customer will use 5,000 gallons of water per month):

Water: 38.00 x 2 months = \$76.00
Wastewater: 46.61 x 2 months = \$93.00 (rounded)

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

MSF/mp

cc: Christopher Shoemaker, Utilities Manager
Ms. Pat Brady, Division of Economic Regulation (via e-mail)
Ms. Patti Daniel, Division of Economic Regulation (via e-mail)
Paul DeChario, CPA

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