

State of Florida



Public Service Commission

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COMMISSION
CLERK

DATE: April 2, 2015

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Ortega, Hudson) *AO*
Office of the General Counsel (Janjic) *PT JC*

RE: Docket No. 150061-WS – Request for approval of amendment to tariff for miscellaneous service charges in Lake County by Lakeside Waterworks, Inc.

AGENDA: 04/16/15 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 10/16/15 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: Staff recommends the Commission simultaneously consider Docket Nos. 150055-WS, 150056-WU, 150057-WS, 150058-WU, 150059-WU, 150060-WS, 150061-WS, 150062-WU, 150063-WS, 150064-WS, 150065-WU, 150066-WS, and 150067-WU.

Case Background

Lakeside Waterworks, Inc. (Lakeside or Utility) is a Class C utility providing water and wastewater service to approximately 150 water and 143 wastewater customers in Lake County. The Utility's 2013 annual report shows total company gross revenue of \$74,397 and operating loss of \$51,862.

On February 17, 2015, U.S. Water Services Corporation (U.S. Water or Management Company) filed applications for all 13 of its regulated utilities requesting the approval of a tariff amendment to charge customers who opt to pay their water or wastewater bill by debit or credit card online or by way of telephone.

Docket No. 150061-WS

Date: April 2, 2015

This recommendation addresses Lakeside's request to implement the convenience charge. The Commission has jurisdiction pursuant to Section 367.091, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the Commission approve Lakeside's request to amend its tariff sheet for miscellaneous service charges to include a convenience charge for customers who opt to pay their water or wastewater bill by debit or credit card online or by way of telephone?

Recommendation: Yes. Lakeside's request to amend its tariff sheet for miscellaneous service charges to include a convenience fee of \$2.60 for customers who opt to pay their water or wastewater bill by debit or credit card online or by way of telephone should be approved. The charge should be effective for services rendered on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475, Florida Administrative Code (F.A.C.). In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. If a protest is filed within 21 days of the issuance date of the Order, the tariff should remain in effect with the charge held subject to refund pending resolution of the protest. (Ortega, Hudson)

Staff Analysis: Section 367.091, F.S., authorizes the Commission to establish, increase, or change a rate or charge other than monthly rates or service availability charges. Lakeside is one of 13 regulated utilities managed by U.S. Water, which shares a common pass-through account established in order to process debit or credit card payments online through the management company's website. In its application, the Utility noted having a common pass-through bank account creates a cost savings by the management company only having to pay for one merchant account with TD Bank instead of 13 separate accounts. Additionally, the Utility has previously been absorbing the transaction costs, but with the increasing number of online payments and requests from customers for the Utility to also offer a telephonic payment option, the Utility has requested to amend its tariff sheet for miscellaneous service charges to include a convenience fee of \$2.60. The requested convenience charge is designed to recover costs incurred for debit or credit card processing online or by way of telephone and the Utility staff time required for processing the transactions.

In support of its application, the Utility provided a breakdown of the requested charge, correspondence from TD Bank describing the pricing and features of the merchant account, and supporting banking statements showing the common account's current monthly fees. A review of the supporting statements showed an increase in the number of credit card payments for all 13 utilities from 75 transactions in January 2014 to 527 transactions in January 2015, or an increase of 603 percent resulting in an annual cost of \$9,912. As required by Section 367.091, F.S., the Utility's cost analysis breakdown for its requested charge is shown on the following page.

Breakdown of Requested Charge

Bank and credit card company fee	\$1.60
1-Transact gateway fee per transaction	\$0.60
Telephonic processing fee	\$0.10
Authorization fee	\$0.05
Monthly telephonic account fee	\$0.07
Accounting staff	\$0.09
Clerical staff	\$0.09
Total Requested Charge	<u>\$2.60</u>

The Commission recently approved a charge of \$2.50 for customers who opt to pay their bill with debit or credit cards for Crestridge Utility Corporation, West Lakeland Wastewater, LLC., Pinecrest Utilities, LLC., and Four Points Utility Corp.¹ In those cases, the charges were designed to recover the cost of supplies, administrative labor, and equipment. The Commission also approved charges in other industries for customers who opt to pay their bill by debit or credit card. An electronic bill payment fee of \$3.50 was approved for Florida Public Utilities Company's (FPUC) gas customers in 2004.² In that case, the Commission found that the charge was necessary to recover the additional costs incurred by FPUC from customers who opt to pay by credit card, debit card, or electronic check. The Commission also approved a charge of \$3.50 for residential customers and 3.5 percent of the total bill amount for all other customers for FPUC electric customers in 2005.³ The charge was designed to recover the costs incurred for customer contact, supervision, and bank and credit card processing.

Staff believes the Utility's requested \$2.60 convenience charge is reasonable and consistent with past Commission decisions.⁴ Staff reviewed the cost support initially filed by U.S. Water and additional information supporting the requested charge, which U.S. Water provided at staff's request. As discussed previously, the requested convenience charge is designed to recover costs incurred for debit or credit card processing online or by way of telephone and the Utility staff time required for processing the transactions. Supplementary to the petition, staff requested U.S. Water to provide separate cost information for online payments

¹ Order Nos. PSC-14-0016-TRF-WU, issued January 6, 2014, in Docket No. 130251-WU, In re: Application for approval of miscellaneous service charges in Pasco County, by Crestridge Utility Corporation; PSC-13-0426-TRF-SU, issued September 19, 2013, in Docket No. 120289-SU, In re: Request for approval of amendment to tariff sheets for miscellaneous service charges in Polk County by West Lakeland Wastewater, LLC.; PSC-13-0427-TRF-WU, issued September 19, 2013, in Docket No. 120290-WU, In re: Request for approval of amendment to tariff sheets for miscellaneous service charges in Polk County by Pinecrest Utilities, LLC.; PSC-13-0428-TRF-WS, issued September 19, 2013, in Docket No. 120286-WS, In re: Request for approval of amendment to tariff sheets for miscellaneous service charges in Polk County by Four Points Utility Corp.

² 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.

³ Order No. PSC-05-0676-TRF-EI, issued June 20, 2005, in Docket No. 050244-EI, In re: Request to establish charge for customers paying by credit card, debit card or electronic check, by the Florida Public Utilities Company.

⁴ Staff notes the prior orders approving similar credit card convenience charges fall within the exception of Section 501.0117(1), F.S. as approved state tariffs.

and payments received by way of telephone, in order to analyze if the combined charge for both payment options (online or telephone) is appropriate. The management company noted that all of the payments and charges, regardless of how they are received, are processed and reconciled into the one TD Bank account. Based on this review, staff believes having a combined payment charge increases administrative efficiency and provides cost savings when compared to having two convenience charges, one for online payments and one for telephone payments. Additionally, the Utility's requested charge also benefits the customers by allowing them to expand their payment options to include payments by telephone. Staff believes adding the option to pay by telephone will allow reconnections due to non-payment to occur more quickly. Furthermore, this charge will ensure the Utility's remaining customers do not subsidize those customers who choose to pay using this option.

Based on the above, staff recommends that Lakeside's request to amend its tariff sheet for miscellaneous service charges to include a convenience charge of \$2.60 for customers who opt to pay their water or wastewater bill by debit or credit card online or by way of telephone should be approved. The charge should be effective for services rendered on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475, F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. If a protest is filed within 21 days of the issuance date of the Order, the tariff should remain in effect with the charge held subject to refund pending resolution of the protest.

Issue 2: Should this docket be closed?

Recommendation: No. If Issue 1 is approved, the docket should remain open pending staff's verification that the revised tariff sheet and customer notice have been filed by the Utility and approved by staff. If no timely protest is filed, a consummating order should be issued and, once staff verifies that the notice of the charge has been given to customers, the docket should be administratively closed. (Janjic)

Staff Analysis: If Issue 1 is approved, the docket should remain open pending staff's verification that the revised tariff sheet and customer notice have been filed by the Utility and approved by staff. If no timely protest is filed, a consummating order should be issued and, once staff verifies that the notice of the charge has been given to customers, the docket should be administratively closed.