

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: October 26, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Sibley) *ST PAB*
Office of the General Counsel (Taylor) *WDT JSC*

RE: Docket No. 20170152-SU – Request for approval of a late payment charge in Volusia County, by North Peninsula Utilities Corporation.

AGENDA: 11/07/17 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

RECEIVED-FPSC
2017 OCT 26 AM 11:00
COMMISSION
CLERK

Case Background

North Peninsula Utilities Corporation (NPUC or utility) is a Class B wastewater utility operating in Volusia County since 1977.¹ NPUC provides wastewater service to approximately 586 customers. The City of Ormond Beach provides water service to the area. NPUC's 2016 Annual Report lists operating revenues of \$231,238 and a net operating loss of \$2,399.

On July 11, 2017, the utility filed an application to add a late payment charge. The Commission considered the application at the September 7, 2017 Agenda Conference; following discussion with staff the Commission requested additional information and deferred the item to a later Agenda Conference. Staff received additional information from the utility on October 16, 2017.

¹ See Order No. 8116, issued December 22, 1977, in Docket No. 770595-S, *In Re: Application of Shore Utility Corporation for a Certificate to Operate a Sewer Utility in Volusia County, Florida. Section 367.041, Florida Statutes.*

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This recommendation addresses the utility's request. The Commission has jurisdiction pursuant to Section 367.091(6), Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should NPUC's request to implement a late payment charge be approved?

Recommendation: Yes. NPUC's request to implement a \$6.77 late payment charge should be approved. The utility should file the revised tariff sheet and a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective for services rendered on or after the stamped approval date on the tariff sheet provided customers have received notice pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.). The utility should provide proof of noticing within 10 days of rendering the approved notice. (Sibley)

Staff Analysis: The utility requested a \$6.77 late payment charge to recover the cost of labor and supplies associated with processing late payment notices. The utility's request for a late payment charge was accompanied by its reasons for requesting the charge, as well as the cost justification required by Section 367.091(6), F.S. The goal of allowing late payment charges is two fold: first, it encourages customers to pay their bills on time, and second, if payments are not made on time, it ensures that the cost associated with collecting late payments are not passed on to the customers who do pay on time.²

The utility has a total of 586 customer accounts and approximately 12 percent of the customers do not pay by the due date each month. The utility indicated that during September 2017, approximately 61 percent of the overdue accounts were more than 90 days past due. Since this is a wastewater only utility, it is extremely costly and time consuming to discontinue wastewater service for late bills. Because the utility does not currently have an approved late payment charge, the utility's only recourse is to either discontinue the customer's wastewater service or file a property lien for the outstanding balance. The utility indicated that it files eight to ten liens per year for accounts that are excessively delinquent.

The utility included \$6.00 for labor associated with processing late payments. The late payment notices are processed by an employee of the affiliated management group, Peninsula Management Group (PMG), which operates the utility and provides the billing functions. PMG pays the billing employee a salary of \$35 per hour which includes all employment benefits. This employee is manager over the billing and collections for the utility, processing calls and messages from the office on weekdays and weekends, and coordination between the plant's operator, engineer, and the management group. PMG bills the utility approximately \$7,800 per month for the operation and management of the utility. The billing employee's hourly salary plus benefits is consistent with Commission practice. Within the past three years, the Commission has approved late payment charges based on salaries ranging from \$17.76 to \$39.00 per hour.³

² See 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.*

³ See Order No. PSC-14-0335-PAA-WS, issued June 30, 2014, in Docket No. 130243-WS, *In re: Application for staff-assisted rate case in Highlands County by Lake Placid Utilities Inc.*; PSC-2017-0361-FOF-WS, issued September 25, 2017, in Docket No. 20160101-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. of Florida.*

The billing employee spends approximately 12 hours per month processing an average of 70 delinquent accounts. This equates to approximately 10 minutes to process a single late payment notice. The Commission has found that 10 to 15 minutes is an appropriate amount of time for a billing employee to process a single late payment.⁴

Over the past seven years, the Commission has approved late payment charges ranging from \$4.90 to \$7.15.⁵ Based on the salary and time spent per notice, NPUC calculated a labor cost of \$6.00. The utility is also requesting recovery of \$0.28 for supplies and \$0.49 for postage. The utility's cost justification for its requested late payment charge is shown on Table 1-1.

**Table 1-1
Late Payment Charge Cost Justification**

Activity	Cost
Labor	\$6.00
Supplies	0.28
Postage	<u>0.49</u>
Total Cost	<u>\$6.77</u>

Source: Utility's cost justification documentation

Based on the above, NPUC's request to implement a \$6.77 late payment charge should be approved. The utility should file the revised tariff sheets and a proposed customer notice to reflect the Commission-approved late payment charge. The approved charge should be effective for services rendered on or after the stamped approval date on the tariff sheet provided customers have received notice pursuant to Rule 25-30.475(1), F.A.C.

⁴ See Order Nos. PSC-16-0041-TRF-WU, in Docket Nos. 150215-WU, issued January 25, 2016, *In re: Request for approval of tariff amendment to include miscellaneous service charges for the Earlene and Ray Keen Subdivisions, the Ellison Park Subdivision and the Lake Region Paradise Island Subdivision in Polk County, by Keen Sales, Rentals and Utilities, Inc.*; PSC-15-0569-PAA-WS in Docket No. 140239-WS, issued December 16, 2015, *In re: Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.*; PSC-16-0523-TRF-WU, in Docket No. 160023-WU, issued November 21, 2016, *In re: Application for transfer of majority organizational control of Sunny Shores Water Company, Inc., holder of Certificate No. 578- W in Manatee County, from Jack E. Mason to Jack E. Mason, II and Debbie A. Mason.*

⁵ See Order Nos. PSC-14-0105-TRF-WS, in Docket Nos. 130288-WS, issued February 20, 2014, *In re: Request for approval of late payment charge in Brevard County by Aquarina Utilities, Inc.*; PSC-15-0535-PAA-WU in Docket No. 20140217-WU, issued November 19, 2015, *In re: Application for staff-assisted rate case in Sumter County by Cedar Acres, Inc.*; PSC-15-0569-PAA-WS in Docket No. 20140239-WS, issued December 16, 2015.

Issue 2: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff. Once these actions are complete, this docket should be closed administratively. (Taylor)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff. Once these actions are complete, this docket should be closed administratively.