

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: December 6, 2007

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Deason, Rendell)
Office of the General Counsel (Jaeger)

RE: Docket No. 070377-WU –Request for approval of change in meter installation customer deposits tariff and proposed changes in miscellaneous service charges in Marion County by Windstream Utilities Company

AGENDA: 12/18/07 – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: February 2, 2007 – (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\070377.RCM.DOC

Case Background

Windstream Utilities Company (Windstream or utility) is a Class B utility which provides service in Marion County to approximately 1,382 water customers. The utility's 2006 annual report shows water annual operating revenue of \$630,781, and a total utility operating income of \$73,534.

On June 2, 2007, Windstream filed an application to modify Tariff Sheets Nos. 17.0 and 15.1. Windstream proposes to modify the Premises Visit Charge to recognize situations where a service representative visits a premises at the customer's request for complaint resolution or for other purposes and the problem is found to be the customer's responsibility. Windstream has

also requested adding after hours charges for its miscellaneous service charges, and adding a Delinquent Payment Charge.

Staff initially presented its recommendation to approve the utility's request to the Commission at the July 31, 2007 agenda conference. However, the Commission wanted further clarification and additional information before making its decision. As a result, by Order No. PSC-07-0681-PCO-WU, issued August 22, 2007, the Commission suspended the utility's tariff filing pending further clarification.

On August 3, 2007, staff sent a data request to Windstream to obtain further clarification and cost justification regarding its miscellaneous service charges. Windstream responded to staff's data request on August 28, 2007. In its response, Windstream revised its requested charges and provided revised tariff sheets to reflect these revisions. Staff sent an additional data request on August 31, 2007, to which Windstream responded on September 26, 2007.

This recommendation addresses the utility's requested tariff changes. The Commission has jurisdiction in this matter pursuant to Section 367.091, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the requested changes and additions to Windstream's Tariff Sheets Nos. 17.0 and 15.1 be approved?

Recommendation: No. The utility's First Revised Sheet No. 17.0 and Second Revised Sheet No. 15.1 should not be approved as filed. Staff's recommended Miscellaneous Service Charges and Delinquent Payment Charges as discussed in its analysis below should be approved. If approved by the Commission, the utility may file revised tariff sheets and a proposed customer notice to reflect the charges recommended in the staff analysis. The approved charges would be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(2), Florida Administrative Code (F.A.C.), provided the notice has been approved by staff. Should the utility file amended tariffs, it should provide notice of the tariff changes to all customers. The utility should provide staff with proof the customers have received notice within 10 days after the date the notice is sent. (Deason, Rendell)

Staff Analysis: As stated in the background, the utility originally filed an application requesting approval to modify its miscellaneous service charges pursuant to Section 367.091(6), F.S., on June 2, 2007. On August 28, 2007, in response to staff's data request, Windstream revised its requested charges and provided revised tariff sheets to reflect these revisions.

Rule 25-30.460, F.A.C., addresses applications for miscellaneous service charges. Pursuant to this rule, all water and wastewater utilities may apply for these charges, and the charges shall be included in each company's tariffs and shall include rates for initial connections, normal reconnections, violation reconnections, and premise visit charges. Pursuant to this rule the following charges are allowed to be levied by utilities:

- 1) Initial Connection: This charge is to be levied for service initiation at a location where service did not exist previously.
- 2) Normal Reconnection: This charge is to be levied for transfer of service to a new customer account at a previously served location, or reconnection of service subsequent to a customer requested disconnection.
- 3) Violation Reconnection: This charge is to be levied prior to reconnection of an existing customer after disconnection of service for cause according to Rule 25-30.320(2), F.A.C., including a delinquency in bill payment.
- 4) Premises Visit: This charge is to be levied when a service representative visits a premises at a customer's request for complaint resolution and the problem is found to be the customer's responsibility.

- 5) Premises Visit (in lieu of disconnection): This charge is to be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill, but does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

This rule also provides that a utility may request an additional charge (“after hours charge”) for overtime when the customer requests that the service be performed after normal hours. The after hours charge may be the same rate specified for the existing charge during normal working hours; however, if the utility seeks a charge other than the normal working hours charge, the utility must file cost support. Section 367.091(6), F.S., authorizes the utility to file an application to establish, increase, or change a rate or charge other than monthly rates or service availability charges, which must be accompanied by a cost justification.

Prior to the adoption of Rule 25-30.460 F.A.C., which became effective November 30, 1993, companies relied on guidance provided from Staff Advisory Bulletins (SAB). Previously, tariff provisions for miscellaneous service charges were outlined in SAB 2nd Revised No. 13 (SAB 13), dated January 1, 1988. According to SAB 13, charges should be contained in each utility’s tariff for initial connections, normal reconnections, violation reconnections, and premises visit charges. SAB 13 delineated the costs typically recovered in each miscellaneous service charge category, contained an example of an approved level of charges, and provided guidance to utilities as the timing and procedures for including or revising tariff provision for each miscellaneous service charge category.

SAB 13 delineated several costs that should be recovered through miscellaneous service charges. These costs include the following:

1. Office costs associated with recording and processing a customer request for service, including labor, computer service and postage.
2. Office costs associated with receiving, recording and processing the subsequent customer request for termination of service and final bill, including labor, computer services and postage.
3. Field costs associated with the inspection of a facility and connection of service including transportation, labor and meter reading expense.
4. Field costs associated with disconnection of service including transportation, labor and meter reading expense.
5. Overhead costs directly related to a specific job including a portion of general office facilities and equipment, supervision, insurance and small miscellaneous expenses required to support service activities.

SAB 13 included a list of Commission approved miscellaneous service charges (prior to January 11, 1988) as shown in the following table:

| <u>Type of Service</u> | <u>Water</u> | <u>Sewer</u> |
|------------------------|--------------|--------------|
| Initial Connection | \$15 | \$15 |
| Normal Reconnection | \$15 | \$15 |
| Violation Reconnection | \$15 | Actual Cost |
| Premises Visit | \$10 | \$10 |

SAB 13 also stated that a notice of discontinuance of service, which must be sent to the customer prior to disconnection as required by Rule 25-30.320, F.A.C., should contain an estimate of the costs involved in this activity. SAB 13 was subsequently rescinded in March, 1997, when the Commission repealed all of the Staff Advisory Bulletins.

The Commission addressed the level of miscellaneous service charges in 1996, in a rate case by Southern States Utilities. By Order No. PSC-96-1320-FOF-WS,¹ the Commission expressed concern that the miscellaneous service charges were eight years old at the time and could not possibly cover current costs. The Commission directed staff to examine whether miscellaneous service charges should be indexed in the future and included in index applications. Order No. PSC-96-1320-FOF-WS states that, in the past, utilities based service availability charges on Staff Advisory Bulletin (SAB) 2nd Revised 13, dated January 1, 1988. This order acknowledges that staff advisory bulletins were issued by the Commission staff to provide informal, non-binding interpretations or classifications. The Order further states that although there were increases in costs since 1988, when SAB No. 13 was issued, the bulletin had not been updated for inflation and these charges should be indexed in the same manner that utilities are allowed to index their monthly service rates.

Currently, miscellaneous service charges may be indexed if requested in price index applications pursuant to Rule 25-30.420, F.A.C. However, few utilities request that their miscellaneous service charges be indexed. In order to adjust miscellaneous service charges for inflation, the Commission has applied the price index to reevaluate miscellaneous service charges.

¹ Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, in Docket No. 950495-WS, In Re: Application for rate increase and increase in service availability charges by Southern States Utilities, Inc. for Orange-Osceola Utilities, Inc. in Osceola County, and in Bradford, Brevard, Charlotte, Citrus, Clay, Collier, Duval, Highlands, Lake, Lee, Marion, Martin, Nassau, Orange, Osceola, Pasco, Putnam, Seminole, St. Johns, St. Lucie, Volusia, and Washington Counties.

By Order No. PSC-05-0776-TRF-WS,² the Commission approved miscellaneous service charges of \$20 during normal hours and \$40 for after hours. The Commission approved this charge by applying the approved price indices from 1990 through 2005 to Mad Hatter's \$15 miscellaneous service charge. The Commission stated, that as claimed by the utility, the costs for fuel and labor had increased substantially. Therefore, the Commission found that Mad Hatter's request for a \$20 charge was reasonable and accepted indexing of historic charges as a method to arrive at a cost-based change. Subsequently, by Order No. PSC-05-0397-TRF-WSI,³ the Commission approved a \$20 charge for connection and reconnection during normal hours and a \$40 after hours charge. In doing so, the Commission stated the increases shall be approved to allow the utility to recover the costs of its increased expenses for connection, reconnection, and after hours calls. These charges were also established in the same manner as Mad Hatter's by applying the price indices from 1990 through 2005 to the utility's previously approved miscellaneous service charge.

Recently, the Commission has also approved miscellaneous service charges of \$20-\$21 for normal hours and \$40-\$42 for after hours based on applying price indices in several rate cases.⁴ Windstream has requested changes to increase all of its miscellaneous service charges for normal hours and after hours. Changes and additions requested by Windstream to its Tariff Sheets Nos. 17.0 and 15.1 for miscellaneous service charges are discussed below.

Miscellaneous Service Charges

Initial Connections and Normal Reconnections

The utility originally requested an increase in its \$10.00 charge for initial connection and normal reconnections during normal hours to \$20.00. The utility also requested an increase to its initial connection and normal reconnections service charges for after hours. The current after hours fee is \$10.00, and the utility originally requested an increase to \$40.00. After further correspondence and additional information, the utility amended its request for an increase in its initial connection and normal reconnection charge for normal hours to \$39.00 and \$45.00 for after hours. The utility states that the current fees have been in effect since 1984, and that its costs for fuel and labor have risen substantially since that time. The current charges were approved in Order No. 13639.⁵ In addition, the utility also states that the price index for rates

² Order No. PSC-05-0776-TRF-WS, issued July 26, 2005, in Docket 050369-WS, In re: Request for approval of change in meter installation fees and proposed changes in miscellaneous service charges in Pasco County by Mad Hatter Utility, Inc.

³ Order No. PSC-05-0397-TRF-WS, issued April 18, 2005, in Docket No. 050096-WS, In re: Request for revision of Tariff Sheets 14.0 and 15.1 to change request for meter test by customer and premise visit charge. by Marion Utilities, Inc.

⁴ Order No. PSC-06-0684-PAA-WS, issued August 8, 2006, in Docket No. 050587-WS, In re: Application for staff-assisted rate case in Charlotte County by MSM Utilities, LLC.; Order No. PSC-07-0130-SC-SU, issued February 15, 2007, in Docket No. 060256-SU, In re: Application for increase in wastewater rates in Seminole County by Alafaya Utilities, Inc.; Order No. PSC-07-0604-PAA-WU, issued July 30, 2007, in Docket No. 050862-WU, In re: Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc.

⁵ Order No. 13639, issued August 29, 1984, in Docket No. 840126-WU, In re: Application of Windstream Utilities Company for a certificate to operate a water system in Marion County, Florida, pursuant to the provisions of Section 367.041, Florida Statutes.

has increased at least 100%, while its service fees have remained the same. According to the utility, during the past year the utility had 120 connections and reconnections during normal hours and 60 connections and reconnections during after hours. As cost justification, the utility provided the following breakdown of these charges as listed in the charts below:

Normal Hours

Clerical & Administrative Labor

Office Clerk - \$456.84 per week

Administrative Manager - \$799.47 per week

Total - \$1,256.31 per week/\$31.41 per hour/\$7.86 per ¼ hour

Labor to Inspect Facilities and Connect

Field Guy - \$774.15 per week/\$19.36 per hour

Manager - \$380 per week/\$9.50 per hour

Total - \$28.86 per hour, \$22.05 = 20 minutes each way + 5 minutes at location

Transportation Costs

\$2.89/Gallon of Gas, 10 Miles/Gallon, (30 Miles) - \$8.67 for gas

Truck Costs \$25,000 with 15 year depreciation \$1,666.67 per year - \$.58 per hour

Insurance \$3,500 per year, \$9.59 per day - \$1.20 per hour

Maintenance \$2,500 per year, \$6.85 per day - \$.86 per hour

Total - \$11.31 per hour \$8.76 per 30 miles

Computer/Copier

Lease credit card machine - \$55.00 per month

Copier - \$34.69 per month

Paper - \$20.24 per month

Computer - \$50.00

Total - \$159.93 per month, \$5.34 per day - \$.17 ¼ hour

Postage - \$.41

Total Costs

Clerical & Administrative Labor - \$7.86

Labor to Inspect Facilities and Connect - \$22.05

Transportation Costs - \$8.76

Computer/Copier - \$.17

Postage - \$.41

Total - \$39.25

After Hours

Clerical & Administrative Labor

Office Clerk - \$456.84 per week

Administrative Manager - \$799.47 per week

Total - \$1,256.31 per week/(\$31.41 per hour × 1.5) = \$47.12/\$11.78 per ¼ hour

Labor to Inspect Facilities and Connect

Field Guy - \$774.15 per week/\$19.36 per hour

Manager - \$380 per week/\$9.50 per hour

Total – $(\$28.86 \times 1.5) = \43.29 hour, \$23.98 per 45 minutes

Transportation Costs

\$2.89/Gallon of Gas, 10 Miles/Gallon, (30 Miles) - \$8.67 for gas

Truck Costs \$25,000 with 15 year depreciation \$1,666.67 per year - \$.58 per hour

Insurance \$3,500 per year, \$9.59 per day - \$1.20 per hour

Maintenance \$2,500 per year, \$6.85 per day - \$.86 per hour

Total – \$11.31 per hour \$8.76 per 30 miles

Computer/Copier

Lease credit card machine - \$55.00 per month

Copier - \$34.69 per month

Paper - \$20.24 per month

Computer - \$50.00

Total - \$159.93 per month, \$5.34 per day - \$.17 ¼ hour

Postage - \$.41

Total Costs

Clerical & Administrative Labor – \$11.78

Labor to Inspect Facilities and Connect – \$23.98

Transportation Costs – \$8.76

Computer/Copier - \$.17

Postage - \$.41

Total - \$45.10

After reviewing the numbers provided by the utility, staff recommends the following modifications to the cost justification for the initial connection and normal reconnections service charges:

- (1) Staff does not believe it is necessary for the manager to travel with the field employee that is performing the actual inspection and/or work. Staff believes all labor to inspect and connect can be performed by field personnel. Therefore, the cost for the manager to travel with the field employee is not necessary and the manager's salary under labor to inspect and connect should be eliminated from both normal and after hours costs.
- (2) Staff believes that the utility's vehicle used for transportation does not utilize 10 miles per gallon (mpg) of gasoline, but is more likely to get 12 mpg or more. Therefore, the mpg under transportation costs should be increased from 10 mpg to 12 mpg for both normal and after hours. Further, staff believes that \$2.89 is not an appropriate cost for a gallon of gas. Because of increased costs of fuel, staff believes that \$3.00 should be the appropriate amount for a gallon of gas. Additionally, staff does not agree with the utility's methodology to calculate the cost of transportation. Staff believes that the cost of a gallon of gas should be added independently of the truck cost, insurance and maintenance which are calculated on a per hour basis.

- (3) Staff believes it is unnecessary to mail a bill for an initial connection or normal reconnection charge, because the charge can be reflected on the customer's next monthly billing statement. Therefore, postage is not necessary and the cost for postage should be eliminated from both normal and after hours costs.
- (4) Staff believes all clerical & administrative labor can be performed during normal hours. Therefore, the office clerk salary under clerical & administrative labor should not be multiplied by 1.5 for after hours.

Below is a revised chart that reflects staff's adjustments to the miscellaneous service charge cost justification provided by the utility:

Normal Hours

Clerical & Administrative Labor

Office Clerk - \$456.84 per week

Administrative Manager - \$799.47 per week

Total - \$1,256.31 per week/\$31.41 per hour/\$7.86 per ¼ hour

Labor to Inspect Facilities and Connect

Field Person - \$774.15 per week/\$19.36 per hour

Total - \$19.36 per hour, \$14.52 = 20 minutes each way + 5 minutes at location

Transportation Costs

\$3.00/Gallon of Gas, 12 Miles/Gallon, (30 Miles) - \$7.50 for gas

Truck Costs \$25,000 with 15 year depreciation \$1,666.67 per year - \$.58 per hour

Insurance \$3,500 per year, \$9.59 per day - \$1.20 per hour

Maintenance \$2,500 per year, \$6.85 per day - \$.86 per hour

Total - \$2.64 per hour, \$2.20 = 20 minutes each way + 5 minutes at location + \$7.50 for gas = \$9.70

Computer/Copier

Lease credit card machine - \$55.00 per month

Copier - \$34.69 per month

Paper - \$20.24 per month

Computer - \$50.00

Total - \$159.93 per month, \$5.34 per day - \$.17 ¼ hour

Total Costs

Clerical & Administrative Labor - \$7.86

Labor to Inspect Facilities and Connect - \$14.52

Transportation Costs - \$9.70

Computer/Copier - \$.17

Recommended Charge - \$32.25

After Hours

Clerical & Administrative Labor

Office Clerk - \$456.84 per week

Administrative Manager - \$799.47 per week

Total - \$1,256.31 per week/\$31.41 per hour/\$7.86 per ¼ hour

Labor to Inspect Facilities and Connect

Field Person - \$774.15 per week/\$19.36 per hour

Total – ($\$19.36 \times 1.5$) = \$29.04 hour, \$21.78 per 45 minutes

Transportation Costs

\$3.00/Gallon of Gas, 12 Miles/Gallon, (30 Miles) - \$7.50 for gas

Truck Costs \$25,000 with 15 year depreciation \$1,666.67 per year - \$.58 per hour

Insurance \$3,500 per year, \$9.59 per day - \$1.20 per hour

Maintenance \$2,500 per year, \$6.85 per day - \$.86 per hour

Total – \$2.64 per hour, \$2.20 = 20 minutes each way + 5 minutes at location + \$7.50 for gas = \$9.70

Computer/Copier

Lease credit card machine - \$55.00 per month

Copier - \$34.69 per month

Paper - \$20.24 per month

Computer - \$50.00

Total - \$159.93 per month, \$5.34 per day - \$.17 ¼ hour

Total Costs

Clerical & Administrative Labor – \$7.86

Labor to Inspect Facilities and Connect – \$21.78

Transportation Costs – \$9.70

Computer/Copier - \$.17

Recommended Charge - \$39.51

Premise Visit Charge and Premises Visit Charge In Lieu of Disconnection:

The utility initially requested to add a Premises Visit Charge to its tariff. The utility originally requested a Premises Visit Charge of \$20 for normal hours and \$40 for after hours. After further correspondence and additional information, the utility revised its request for a Premises Visit Charge to \$42 for normal hours and \$57 for after hours. This charge is consistent with Rule 25-30.460(1)(d), F.A.C. In addition, by Order No. PSC-05-0397-TRF-WS,⁶ the Commission approved a Premises Visit Charge to be levied when a service representative visits a premises at the customer's request for a complaint and the problem is found to be the customer's responsibility. In response to staff's data request, the utility subsequently agreed to separate the

⁶ Docket No. 050096-WS, In re: Request for revision of Tariff Sheets 14.0 and 15.1 to change request for meter test by customer and premise visit charge, by Marion Utilities, Inc.

Premises Visit Charge In Lieu of Disconnection from the Premise Visit Charge and requested it be added to its tariff. This charge may be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

According to the utility, during the past year the utility had 55 premises visits. Of the 55 premises visits, 12 premises visits were during after hours. Of the 55 premises visits during the past year, 20 were found to be the customers responsibility. As cost justification, the utility provided the following breakdown of these charges listed below:

Normal Hours

Clerical & Administrative Labor

Office Clerk - \$456.84 per week

Administrative Manager - \$799.47 per week

Total - \$1,256.31 per week/\$31.41 per hour/\$7.86 per ¼ hour

Labor to Inspect Facilities

Field Guy - \$774.15 per week/\$19.36 per hour

Manager - \$380 per week/\$9.50 per hour

Total - \$28.86 per hour, \$24.50 = 20 minutes each way + 10 minutes at location

Transportation Costs

\$2.89/Gallon of Gas, 10 Miles/Gallon, (30 Miles) - \$8.67 for gas

Truck Costs \$25,000 with 15 year depreciation \$1,666.67 per year - \$.58 per hour

Insurance \$3,500 per year, \$9.59 per day - \$1.20 per hour

Maintenance \$2,500 per year, \$6.85 per day - \$.86 per hour

Total - \$11.31 per hour \$8.76 per 30 miles

Computer/Copier

Lease credit card machine - \$55.00 per month

Copier - \$34.69 per month

Paper - \$20.24 per month

Computer - \$50.00

Total - \$159.93 per month, \$5.34 per day - \$.17 per ¼ hour

Postage - \$.41

Total Costs

Clerical & Administrative Labor - \$7.86

Labor to Inspect Facilities and Connect - \$24.50

Transportation Costs - \$8.76

Computer/Copier - \$.17

Postage - \$.41

Total - \$41.70

After Hours

Clerical & Administrative Labor

Office Clerk - \$456.84 per week

Administrative Manager - \$799.47 per week

Total - \$1,256.31 per week/ $(\$31.41 \text{ per hour} \times 1.5) = \$47.12/\$11.78 \text{ per } \frac{1}{4} \text{ hour}$

Labor to Inspect Facilities and Connect

Field Guy - \$774.15 per week/\$19.36 per hour

Manager - \$380 per week/\$9.50 per hour

Total - $(\$28.86 \times 1.5) = \$43.29 \text{ hour}, \$36.50 \text{ per } 50 \text{ minutes}$

Transportation Costs

\$2.89/Gallon of Gas, 10 Miles/Gallon, (30 Miles) - \$8.67 for gas

Truck Costs \$25,000 with 15 year depreciation \$1,666.67 per year - \$.58 per hour

Insurance \$3,500 per year, \$9.59 per day - \$1.20 per hour

Maintenance \$2,500 per year, \$6.85 per day - \$.86 per hour

Total - \$11.31 per hour \$8.76 per 30 miles

Computer/Copier

Lease credit card machine - \$55.00 per month

Copier - \$34.69 per month

Paper - \$20.24 per month

Computer - \$50.00

Total - \$159.93 per month, \$5.34 per day - \$.17 $\frac{1}{4}$ hour

Postage - \$.41

Total Costs

Clerical & Administrative Labor - \$11.78

Labor to Inspect Facilities and Connect - \$36.50

Transportation Costs - \$8.76

Computer/Copier - \$.17

Postage - \$.41

Total - \$57.62

After reviewing the numbers provided by the utility, staff recommends the following modifications to the cost justification chart for its premises visit charge:

- (1) Staff does not believe it is necessary for the manager to travel with the field employee that is performing the actual inspection and/or work. Staff believes all labor to inspect and connect can be performed by field personnel. Therefore, the cost for the manager to travel with the field employee is not necessary and the manager's salary under labor to inspect and connect should be eliminated from both normal and after hours costs.

- (2) Staff believes that the utility's vehicle used for transportation does not utilize 10 miles per gallon (mpg) of gasoline, but is more likely to get 12 mpg or more. Therefore, the mpg under transportation costs should be increased from 10 mpg to 12 mpg for both normal and after hours. Further, staff believes that \$2.89 is not an appropriate cost for a gallon of gas. Because of increased costs of fuel, staff believes that \$3.00 should be the appropriate amount for a gallon of gas. Additionally, staff does not agree with the utility's methodology to calculate the cost of transportation. Staff believes that the cost of a gallon of gas should be added independently of the truck cost, insurance and maintenance which are calculated on a per hour basis.
- (3) Staff believes it is not necessary to mail a bill for an initial connection or normal reconnection charge, because the charge can be reflected on the customer's next monthly billing statement. Therefore, postage is not necessary and the cost for postage should be eliminated from both normal and after hours costs.
- (4) Staff believes all clerical & administrative labor can be performed during normal hours. Therefore, the office clerk salary under clerical & administrative labor should not be multiplied by 1.5 for after hours.

Below is a revised chart that reflects staff's adjustments to the premises visit charge cost justification provided by the utility:

Normal Hours

Clerical & Administrative Labor

Office Clerk - \$456.84 per week

Administrative Manager - \$799.47 per week

Total - \$1,256.31 per week/\$31.41 per hour/\$7.86 per ¼ hour

Labor to Inspect Facilities

Field Person - \$774.15 per week/\$19.36 per hour

Total - \$19.36 per hour, \$16.13 = 20 minutes each way + 10 minutes at location

Transportation Costs

\$3.00/Gallon of Gas, 12 Miles/Gallon, (30 Miles) - \$7.50 for gas

Truck Costs \$25,000 with 15 year depreciation \$1,666.67 per year - \$.58 per hour

Insurance \$3,500 per year, \$9.59 per day - \$1.20 per hour

Maintenance \$2,500 per year, \$6.85 per day - \$.86 per hour

Total - \$2.64 per hour, \$2.20 = 20 minutes each way + 5 minutes at location + \$7.50 for gas = \$9.70

Computer/Copier

Lease credit card machine - \$55.00 per month

Copier - \$34.69 per month

Paper - \$20.24 per month

Computer - \$50.00

Total - \$159.93 per month, \$5.34 per day - \$.17 ¼ hour

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Total Costs

Clerical & Administrative Labor – \$7.86

Labor to Inspect Facilities and Connect – \$16.13

Transportation Costs – \$9.70

Computer/Copier - \$.17

Recommended Charge - \$33.86

After Hours

Clerical & Administrative Labor

Office Clerk - \$456.84 per week

Administrative Manager - \$799.47 per week

Total - \$1,256.31 per week/\$31.41 per hour/\$7.86 per ¼ hour

Labor to Inspect Facilities

Field Guy - \$774.15 per week/\$19.36 per hour

Total – $(\$19.36 \times 1.5) = \29.04 hour, \$24.20 per 50 minutes

Transportation Costs

\$3.00/Gallon of Gas, 12 Miles/Gallon, (30 Miles) - \$7.50 for gas

Truck Costs \$25,000 with 15 year depreciation \$1,666.67 per year - \$.58 per hour

Insurance \$3,500 per year, \$9.59 per day - \$1.20 per hour

Maintenance \$2,500 per year, \$6.85 per day - \$.86 per hour

Total – \$2.64 per hour, \$2.20 = 20 minutes each way + 5 minutes at location + \$7.50 for gas = \$9.70

Computer/Copier

Lease credit card machine - \$55.00 per month

Copier - \$34.69 per month

Paper - \$20.24 per month

Computer - \$50.00

Total - \$159.93 per month, \$5.34 per day - \$.17 ¼ hour

Total Costs

Clerical & Administrative Labor – \$7.86

Labor to Inspect Facilities and Connect – \$24.20

Transportation Costs – \$9.70

Computer/Copier - \$.17

Recommended Charge - \$41.93

Delinquent Payment Charge

The utility has also requested to add a delinquent payment charge for any customers that pay their bill after the 20th of the month. Pursuant to Rule 25-30.335(4) F.A.C., “A utility may not consider a customer delinquent in paying his or her bill until the 21st day after the utility has mailed or presented the bill for payment.” Therefore, the utility cannot charge for a delinquent payment until the 21st day after the utility has mailed the bill.

The delinquent payment charge is designed to recover the cost of paper, printing and preparation and mailing of the late notice. The utility believes that customers who pay on a timely basis should not bear the cost of those who failed to pay on time. The utility originally requested a late payment charge of \$6, but after further correspondence and additional information, the utility now requests a late payment charge of \$11. As cost justification, the utility provided the following breakdown of its requested charge as listed below:

Clerical & Administrative Labor

Office Clerk - \$456.84 per week

Administrative Manager - \$799.47 per week

Total - \$1,256.31 per week/\$31.41 per hour/\$10.47 per 1/3 hour

Computer/Copier

Lease credit card machine - \$55.00 per month

Copier - \$34.69 per month

Paper - \$20.24 per month

Computer - \$50.00

Total - \$159.93 per month, \$5.34 per day, .67 per hour - .23 1/3 hour

Postage - \$.41

Total Costs

Clerical & Administrative Labor – \$10.47

Computer/Copier - \$.23

Postage - \$.41

Total - \$11.11

In the past, late payment fee requests have been handled on a case-by-case basis. The Commission has approved late fees in several cases finding that the cost causer should pay the additional cost incurred to the utility by late payments, rather than the general body of the utility's rate payers.⁷ Presently, Commission rules provide that late payers may be required by the utility to provide an additional deposit.

In Order No. PSC-01-0998-TRF-WU,⁸ the Commission found that the goal of allowing late fees to be charged by a utility is twofold: first, it encourages current and future customers to pay their bills on time; and second, if payment is not made on time, it insures that the cost associated with the late payments is not passed on to the customers who do pay on time. Allowing a late fee will encourage prompt payment by current and future customers. Therefore, staff recommends that a late payment fee should be approved.

⁷Order No. PSC-96-1409-FOF-WU, issued November 20, 1996, in Docket No. 960716-WU, In re: Application for transfer of Certificate No. 123-W in Lake County from Theodore S. Jansen d/b/a Ravenswood Water System to Crystal River Utilities, Inc.

Order No. PSC-98-1585-FOF-WU, issued November 25, 1998, in Docket No. 980445-WU, In re: Application for staff-assisted rate case in Osceola County by Morningside Utility, Inc.

⁸ 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.

However, staff believes that \$11 is not a reasonable late payment charge for this utility. After reviewing the information, staff believes that the time allotted for clerical and administrative labor is too high. Staff believes that 1/6 of an hour is an appropriate time allotment for clerical and administrative labor. Therefore, staff recommends the following breakdown of charges below:

Clerical & Administrative Labor

Office Clerk - \$456.84 per week

Administrative Manager - \$799.47 per week

Total - \$1,256.31 per week/\$31.41 per hour/\$5.24 per 1/6 hour

Computer/Copier

Lease credit card machine - \$55.00 per month

Copier - \$34.69 per month

Paper - \$20.24 per month

Computer - \$50.00

Total - \$159.93 per month, \$5.34 per day, .67 per hour - .23 1/3 hour

Postage - \$.41

Total Costs

Clerical & Administrative Labor – \$5.24

Computer/Copier - \$.23

Postage - \$.41

Total - \$5.88

Staff believes that a late payment charge of \$6 is a reasonable fee for a delinquent payment charge. A late fee of \$6 is consistent with prior Commission practice and orders. A late fee of less than \$6 would not allow the utility to recover its costs of processing delinquent accounts, nor would it send the appropriate signal to delinquent payers.

Summary

In summary, the utility's First Revised Sheet No. 17.0 and Second Revised Sheet No. 15.1 should not be approved as filed. Staff recommends the delinquent payment charge and miscellaneous service charges listed below. If approved, the utility may file revised tariff sheets and a proposed customer notice to reflect the recommended charges below. The approved charges would be effective for service rendered on or after the stamped approval date of the tariff sheet, pursuant to Rule 25-30.475(2), F.A.C., provided that the notice has been approved by staff. Should the utility file amended tariffs, it should provide notice of the tariff changes to all customers. The utility should provide staff with proof the customers have received notice within 10 days after the date the notice is sent. A breakdown of the currently approved tariff charge, utility requested charges and staff's recommended charges is as follows:

Docket No. 070377-WU

Date: December 6, 2007

| | <u>Currently Approved</u> | | <u>Utility Revised Request</u> | | <u>Staff Recommended</u> | |
|--------------------------------------------------|---------------------------|--------------------|--------------------------------|--------------------|--------------------------|--------------------|
| Delinquent Payment Charge | \$0.00 | | \$11.00 | | \$6.00 | |
| Misc. Service Charges | <u>Normal Hours</u> | <u>After Hours</u> | <u>Normal Hours</u> | <u>After Hours</u> | <u>Normal Hours</u> | <u>After Hours</u> |
| Initial Connection Fee | \$10.00 | \$10.00 | \$39.00 | \$45.00 | \$32.00 | \$40.00 |
| Normal Reconnection Fee | \$10.00 | \$10.00 | \$39.00 | \$45.00 | \$32.00 | \$40.00 |
| Violation Reconnection Fee | \$10.00 | \$10.00 | \$39.00 | \$45.00 | \$32.00 | \$40.00 |
| Premises visit Fee | \$5.00 | \$5.00 | \$41.00 | \$57.00 | \$34.00 | \$42.00 |
| Premises visit Fee (In Lieu of Disconnection) | \$0.00 | \$0.00 | \$41.00 | \$57.00 | \$34.00 | \$42.00 |

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, 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. If a protest is filed within 21 days of the issuance date of the Order, the tariffs should remain in effect with all increased charges held subject to refund pending resolution of the protest, and the docket should remain open. If no timely protest is filed, the docket should be closed upon the issuance of a Consummating Order. (Jaeger, Deason)

Staff Analysis: If Issue 1 is approved, 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. If a protest is filed within 21 days of the issuance date of the Order, the tariffs should remain in effect with all increased charges held subject to refund pending resolution of the protest, and the docket should remain open. If no timely protest is filed, the docket should be closed upon the issuance of a Consummating Order.