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FPSC Records/Reporting

MEMORANDUM

December 23, 1997

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF WATER & WASTEWATER (GALLOWAY) *Handwritten initials*
DIVISION OF LEGAL SERVICES (FLEMING) *Handwritten initials*

RE: DOCKET NO. 971465-WU - REQUEST FOR APPROVAL TO ESTABLISH
A LATE PAYMENT CHARGE FOR BRENDENWOOD WATER SYSTEM

COUNTY: LAKE

AGENDA: JANUARY 6, 1998 - REGULAR AGENDA - TARIFF FILING -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE - JANUARY 6, 1998

SPECIAL INSTRUCTIONS: NONE

LOCATION OF FILE: I:\PSC\WAW\WP\971465WU.RCM

CASE BACKGROUND

Brendenwood Water System (Brendenwood or utility) is a Class C water only utility located in Lake County. Based on the 1996 Annual Report, the utility provides water service to approximately 56 customers. For the calendar year ended December 31, 1996, the utility recorded revenues of \$19,777, operating expenses of \$21,881 resulting in a net operating loss of \$2,383.

On November 7, 1997, Brendenwood filed a proposed tariff with its application requesting approval of a \$3.00 late payment charge. The utility stated in its filing that the purpose of this charge is to provide an incentive for customers to make timely payments and place the cost burden of processing such delinquent accounts upon those who cause such costs.

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Section 367.091(5), Florida Statutes, authorizes the utility to apply to establish, increase, or change a rate or charge other than monthly rates for service or service availability charges. However, the application must be accompanied by cost documentation. The utility has provided certain documentation in its application as required along with billing data for determining the percentage of late payments. Staff's recommendation regarding the utility's request follows.

DISCUSSION OF ISSUES

ISSUE 1: Should the utility's tariff filing which proposes a \$3.00 late payment charge be approved?

RECOMMENDATION: Yes, the tariff filing which proposes a \$3.00 late payment charge should be approved and should become effective for service rendered on or after staff's approval of the filed tariff sheets, pursuant to Rule 25-30.475(2), Florida Administrative Code, provided the customers received notice. (GALLOWAY)

STAFF ANALYSIS: On November 7, 1997, Brendenwood requested the approval of a \$3.00 late payment charge. According to the utility, it has experienced significant and continuous occurrences of late payments for several years. In its request, the utility states that the purpose of this charge is not only to provide an incentive for customers to make timely payment, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing delinquent notices and such accounts solely upon those who are the cost causers. The utility adds that the percent of delinquent customers has varied from 5.4% to 12.5%. Further, the utility adds that approximately 7% of its "customer base has established the trend of paying late."

In the past, late payment fee requests have been handled on a case-by-case basis. Recommendations have been made based upon the conditions presented by each individual utility. The Commission has authorized late payment charges for wastewater companies based on demonstration by the company of a service delinquency problem. In Order No. 8157 issued on February 2, 1978, a 5% late charge was approved for residential customers of Santa Villa Utilities. Santa Villa is a wastewater-only utility. In Order No. 20779 issued on February 20, 1989, the Commission authorized a 1.5% late charge on all customers of Longwood Utilities, also a wastewater-only company. The Commission has approved a late charge for wastewater-only operations because of the difficulty in shutting off a customer's wastewater service.

Late charges for both water and wastewater operations have also been approved by the Commission. In Docket No. 891365-WS, Ortega Utility submitted cost justification for a late charge request of \$5.00. However, the Commission approved a \$3.00 late charge pursuant to Order No. 22455, issued January 24, 1990. In that docket, Ortega Utility reported that 30% of the customer base was establishing a trend of paying late and it intended to discourage this practice by charging late payers.

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Other examples of late payment charges for both water and wastewater operations have been approved subsequent to Order 22455. In 1992, the Commission approved a \$3.00 late payment charge for Palm Coast Utility Corporation, a water and wastewater utility in Flagler County, Docket No. 920349-WS, by Order No. PSC-92-0611-FOF-WS issued July 9, 1992; and for Ferncrest Utilities, Inc. a water and wastewater utility in Broward County, Docket No. 920535-WS, by Order No. PSC-92-0779-FOF-WS issued August 10, 1992. In 1993, the Commission approved a \$3.00 late payment charge for Rolling Oaks Utilities, Inc. (Citrus county) and Hydratech Utilities, Inc. (Martin county). In Docket No. 960675-WS and by Order No. PSC-96-0987-FOF-WS, issued August 5, 1996, the Commission also approved a \$3.00 late payment charge for MHC Systems, Inc. in Lee county.

The utility's existing tariff authorizes the utility to collect customers deposits and Rule 25-30.311, F.A.C. authorizes the utility to collect an additional deposit if necessary from customers that are late payers. Staff believes that additional deposits will not encourage payment of bills in a timely manner. Therefore, staff recommends that the Commission approve the \$3.00 late payment charge as requested by the utility. The proposed tariff should become effective for service rendered on or after staff's approval of the filed tariffs, pursuant to Rule 25-30.475(2), Florida Administrative Code, provided the customers received notice.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, if Issue 1 is approved, this tariff should become effective on or after the stamped approval date of the tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code. If a protest is filed within 21 days of the issuance of the Order, this tariff should remain in effect and all late payment charges collected should be held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed administratively. (GALLOWAY, FLEMING)

STAFF ANALYSIS: If a protest is filed within 21 days of the issuance of the Order, this tariff should remain in effect and all late payment charges collected should be held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed administratively.