

FLORIDA PUBLIC SERVICE COMMISSION

Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0850

MEMORANDUM

April 18, 1991

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM : DIVISION OF WATER AND SEWER (RASBERRY) *BBM*
DIVISION OF LEGAL SERVICES (FRAZIER) *Paul R*

RE : ST. GEORGE ISLAND UTILITY COMPANY, LTD.
DOCKET NO. : 910065-WU
COUNTY: FRANKLIN
CASE: APPLICATION FOR TARIFF APPROVAL TO INCREASE
MISCELLANEOUS SERVICE CHARGES AND IMPLEMENTATION OF
A LATE FEE.

AGENDA : APRIL 30, 1991 - CONTROVERSIAL AGENDA - PARTIES MAY
PARTICIPATE.

CRITICAL DATES: EIGHT MONTH DEADLINE - OCTOBER 19, 1991.

CASE BACKGROUND

St. George Island Utility Company, Ltd. (utility) is a Class B water utility located in Franklin County. Based on the 1989 Annual Report on file at the Commission, operating revenues for the company totaled \$270,617. Net operating income was reported as (\$28,122). The utility has approximately 828 residential customers.

On January 10, 1991, the utility filed a petition with the Commission for approval to increase miscellaneous service charges and to implement a late fee. Because of this filing, the utility needed to provide supporting documentation to justify their request. This information was requested pursuant to 2nd Revised Staff Advisory Bulletin (SAB) No. 13. The SAB No. 13 states that the utility must provide the supporting documentation as specified in the Water and Sewer Minimum Filing Requirements (MFRs) Schedule E-4. The utility was not able to provide the needed information in a timely manner. By Order No. 24218 the Commission suspended the tariff to allow additional time for analysis.

DISCUSSION OF ISSUES

ISSUE 1: Should the utility's request to withdraw their proposed tariff to increase miscellaneous service charges be approved?

RECOMMENDATION: Yes. The utility's request to withdraw their request to increase miscellaneous service charges should be approved, however the utility should be encouraged to refile a separate filing increasing their premises visit charge by \$3.00.

STAFF ANALYSIS: On January 10, 1991, the utility filed a petition with the Commission for approval to increase miscellaneous service charges and implement a late fee in Franklin County in the following amounts:

	<u>New Rates</u>	<u>Old Rates</u>
Normal Reconnection	\$25.00	\$15.00
Violation Reconnection	\$25.00	\$15.00
Premises Visit	\$15.00	\$10.00
Initial Connection	No change	\$15.00
Late Payment Fee	\$ 5.00	-0-

The utility requested the increase in miscellaneous service charges for several reasons. One reason for their request is that utility customers were paying their bills chronically late. Another reason is that customers tamper with utility locks and meters for the purpose of receiving service illegally. These types of practices by the utility's customers were causing uncompensated revenue drains on the utility. During the process of our evaluation of the utility's request to increase miscellaneous service charges, staff discovered that the utility had not implemented several procedures authorized by existing Commission rules which are designed to address these types of problems. Staff advised the utility that administrative tariff changes could be approved to help resolve some of these consistent customer practices, and thereby protect the utility from certain drains on revenues.

The utility has since refiled tariff sheets which will update their policies, and they have also taken steps which should solve the problem of customers tampering with utility locks and meters. Because the utility has implemented these procedures, it has requested withdrawal of its initial request to increase miscellaneous service charges but still wants to apply for approval to implement a late fee. In the process of evaluating their request for approval of a late payment charge, staff realized that it would be appropriate to increase the premises visit miscellaneous service charge but not the remaining miscellaneous service charges.

Staff believes that an increase in the premises visit charge would be appropriate because of the following reasons: Out of a customer base of approximately 828, the utility reports that on the average they experience 135 delinquencies per month; final notices are sent consistently to these customers; of these 135 delinquent customers, 10% consistently call in each month and arrange to pay the bill within the five day delinquency period, 80% do not call in or pay their bill until the serviceman approaches their residence to

disconnect service, incurring the \$10.00 premises visit charge; and the remaining 10% is actually disconnected incurring the violation reconnection charge of \$15.00.

The utility has one field person that does all of the connections, disconnections and repairs, and one office person that handles all administrative activities related to these customers. About two days per month is spent by the field person collecting payments from 80% of the late paying customers, and the office person spends about four hours per month handling the administrative portion of these collections. Additionally, the company spends about \$40.00 per month in long distance telephone calls from the field person to the utility's main office to handle these matters. The following is a breakdown of the utility's field and office expenses which are related to handling the 80% of the delinquent customers.

FIELD PERSONNEL: Salary, insurance and vehicle allowance; \$100.00 per day. Fuel allowance \$20.00 per day, total daily expense is \$120.00 per day:

\$120.00 per day/ 8 hours = \$15.00 per hour

Utility field personnel spends 2 days (8 hours per day) per month collecting bills and a premises visit charges.

16 hours (2 days) at \$15.00 per hour = \$240.00/month

12 months x \$240.00 = \$2,880 per year

OFFICE PERSONNEL: Salary, \$8.00 per hour

Telephone Expense: (calls from the field to the office to report activities for the last ten days of the month on these customers) \$40.00 per month

Utility office personnel spends 4 hours per month working on these customers:

4 hours x \$8.00/hour = \$32.00 per month.

\$32.00 + \$40.00 (telephone expense) = \$72.00 per month.

12 months x \$72.00 = \$864.00 per year.

Total field and office expense to handle these 80% of delinquent customers is approximately \$3744.00 per year or \$312.00 per month.

This 80% of the utility's delinquent customers that do not pay their bills until the field person approaches their residence to disconnect service amount to 108 customers, (80% of 135 delinquent customers per month). The per customer expense incurred by the company is \$2.88 (\$312/108 customers).

The utility states that it cannot continue to absorb the expenses involved in these collection activities, which take away from the time that their field

personnel should be performing general maintenance, repairs and performing legitimate disconnections and reconnections of service for their customers. The \$3.00 increase would be a cost recovery item only; therefore, staff believes that the utility should be encouraged to refile to increase its premises visit charge from \$10.00 to \$13.00.

ISSUE 2: Should the utility's request to implement a late fee be approved?

RECOMMENDATION: No.

STAFF ANALYSIS: Staff believes that the utility does have a problem with late paying customers, but does not believe that the amount of customers that pay within the five day delinquent period (10% or about 14 customers) is significant enough to cause any serious revenue problems for the company. Additionally, the company has reported that there is another 10% of its delinquent customers that are actually disconnected for non payment however, the violation reconnection charge of \$15.00 appears to be adequate to cover expenses incurred by the utility to treat these customers. As a result, staff does not believe that a late payment fee should be approved.

ISSUE 3: Should the docket be closed?

RECOMMENDATION: Yes. The docket should be closed. (FRAZIER)

STAFF ANALYSIS: Unless a substantially affected person files a petition for a formal proceeding regarding the denial of implementation of a late fee within 21 days of the date of issuance of the order, the docket should be closed. (FRAZIER)