



Public Service Commission

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RECORDS AND REPORTING

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DATE: OCTOBER 26, 2000

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

FROM: DIVISION OF ECONOMIC REGULATION (BUETS, RENDELL) *RTT 1/92*
DIVISION OF LEGAL SERVICES (FUDGE) *PF PJ*

RE: DOCKET NO. 001325-WU - REQUEST FOR APPROVAL OF TARIFF FILING TO ESTABLISH A LATE PAYMENT CHARGE IN POLK COUNTY BY BIEBER ENTERPRISES, INC. D/B/A BREEZE HILL UTILITIES. COUNTY: POLK

AGENDA: 11/07/00 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: NOVEMBER 13, 2000

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\001325.RCM

CASE BACKGROUND

Breeze Hill Utilities, Inc. (Breeze Hill or utility) is a Class C utility located in Polk County. According to the utility's 1999 Annual Report, it provided water and wastewater service to an average of 115 residential customers in its service territory. For the calendar year ended December 31, 1999, the utility recorded revenues of \$14,883 for water and \$10,823 for wastewater, and operating expenses of \$17,310 for water and \$19,662 for wastewater. This resulted in operating losses of \$2,427 and \$8,839, respectively.

On September 6, 2000, Breeze Hill filed a proposed tariff with its application requesting approval of a \$2 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 to place the cost burden of processing and collecting delinquent accounts upon those who cause such costs.

DOCUMENT NUMBER - DATE
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FPSC-RECORDS/REPORTING

DOCKET NO. 001325-WU
DATE: OCTOBER 26, 2000

However, on September 7, 2000, the utility submitted cost justification to support its request, and realized that it had understated the amount it actually cost to submit and collect for late paying customers. The following recommendation addresses the utility's withdrawal of its original tariff sheet requesting a \$2 late payment charge, and its proposed revised tariff sheet to establish a \$4 late payment charge for late paying customers in its certificated territory. The Commission has the authority to consider this tariff filing under Section 367.091, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission acknowledge the utility's request to withdraw its First Revised Tariff Sheet No. 16.0 filed on September 6, 2000 to establish a \$2 late payment charge, and approve the utility's First Revised Tariff Sheet No. 16.0 filed on September 13, 2000 to establish a \$4 late payment charge for all customers located in its certificated territory?

RECOMMENDATION: Yes. The Commission should acknowledge the utility's request to withdraw its First Revised Tariff Sheet No. 16.0 filed on September 6, 2000 to establish a \$2 late payment charge, and approve the utility's First Revised Tariff Sheet No. 16.0 filed on September 13, 2000 which proposes a \$4 late payment charge for all customers located in its certificated territory. The revised tariff sheet should be implemented on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(2), Florida Administrative Code, provided the customers have received notice. (BUTTS, FUDGE)

STAFF ANALYSIS: As stated earlier, on September 6, 2000, Breeze Hill initially requested the approval of a \$2 late payment charge, pursuant to Section 367.091(6), Florida Statutes. This section authorizes the utility to establish, increase, or change a rate or charge other than monthly rates for service and service availability. However, the application must be accompanied by cost justification. On September 7, 2000, Breeze Hill submitted cost justification for its late payment filing, and the utility realized that the \$2 late charge was only half of what it actually cost to submit and collect for late paying customers. Therefore, on September 13, 2000, the utility withdrew its original Tariff Sheet No. 16.0 and filed a revised Tariff Sheet No. 16.0 requesting a late payment charge of \$4.

On September 7, 2000, Mr. Bieber, the utility's president, advised staff by telephone that the same customers consistently fail to pay their water and wastewater bills in a timely manner each month. In its request, the utility stated that by imposing a \$4 late payment penalty, it would place the cost burden of processing delinquent notices and collections solely upon those who are the cost-causers rather than on the general body of ratepayers who submit payments in a timely manner. The utility states that 2% of its customers are consistently delinquent in rendering payment. Further, the utility states that it is a small utility which needs the monthly cash flow to properly maintain its water and wastewater systems.

Breeze Hill provided the following computations as cost justification for its request:

- \$3.75 Labor (11 minutes to check which customer's account is past due; 10 minutes to process the letter and print the notice; 9 minutes to address the envelope and print for a total of 30 minutes. An hourly wage of \$7.50 divided by one-half of an hour is \$3.75)
- \$0.33 (Postage)
- \$0.01 (Notice Paper)
- \$0.02 (Envelope)
- \$4.11 Total

As shown above, Breeze Hill provided documentation showing that the utility incurs a cost of \$4.11 per late account. The \$.11 difference between the utility's cost to send a late notice and its requested \$4 charge is considered to be nominal by staff.

In the past, late payment fee requests have been handled on a case-by-case basis. By Order No. PSC-96-1409-FOF-WU, issued November 20, 1996, in Docket No. 960716-WU, Crystal River Utilities, Inc., the Commission found that the cost causer should pay the additional cost incurred by the utility by late payments, rather than the general body of the utility's rate payers. By Order No. PSC-98-1585-FOF-WU, issued November 25, 1998, in Docket No. 980445-WU, Morningside Utility, Inc., the Commission approved late fees in the amount \$5 for this utility's water operation.

Presently, Commission rules provide that late payers may be required by the utility to provide an additional deposit. However, there is no further incentive for either delinquent or late paying customers to pay their bills on time after the additional deposit.

Staff believes that the goal of allowing late fees to be charged by a utility is two fold: first, to encourage current and future customers to pay their bills on time; and second, if payment is not made on time, to insure that the cost associated with collecting late payments is not passed on to the customers who do pay on time. Even though Breeze Hill's delinquent accounts make up a small percentage of its customer accounts receivable, allowing a late fee will encourage prompt payment by current and future customers.

Therefore, staff recommends that the Commission should acknowledge the utility's request to withdraw its First Revised Tariff Sheet No. 16.0 filed on September 6, 2000 to establish a \$2

DOCKET NO. 001325-WU
DATE: OCTOBER 26, 2000

late payment charge, and approve the utility's First Revised Tariff Sheet No. 16.0 filed on September 13, 2000 which proposes a \$4 late payment charge for all customers located in its certificated territory. The revised tariff sheet should be implemented on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(2), Florida Administrative Code, provided the customers have received notice.

DOCKET NO. 001325-WU
DATE: OCTOBER 26, 2000

ISSUE 2: Should this docket be closed?

RECOMMENDATION: If no timely protest is filed, this docket should be closed upon the issuance of a Consummating Order. If a protest is filed within 21 days of the issuance of the Order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest, and the docket should remain open. (FUDGE, BUTTS)

STAFF ANALYSIS: If no timely protest is filed, this docket should be closed upon the issuance of a Consummating Order. If a protest is filed within 21 days of the issuance of the Order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest, and the docket should remain open.