

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 1, 2015

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Thompson) *STH PR*
Office of the General Counsel (Janjic) *JC*

RE: Docket No. 150092-WS – Request for approval of amendment to tariff for miscellaneous service charges by Marion Utilities, Inc.

RECEIVED-FPSC
15 OCT - 1 AM 9:30
COMMISSION CLERK

AGENDA: 10/13/15 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 11/13/15 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

Case Background

Marion Utilities, Inc. (Marion or utility) is a Class A utility, which provides service in Marion County to approximately 6,158 water and 136 wastewater customers. The utility's 2014 annual report shows a combined water and wastewater annual operating revenue of \$1,496,745, and a total utility operating income of \$68,048. On March 23, 2015, the utility filed an application to increase miscellaneous service charges and initial customer deposits and add meter tampering, convenience, and non-sufficient funds charges. The tariffs were suspended pending further investigation.¹ This recommendation addresses the utility's request to amend its tariff sheets. The Commission has jurisdiction pursuant to Section 367.091(6), Florida Statutes (F.S.).

¹Order No. PSC-15-0209-PCO-WS, issued May 27, 2015, in Docket No. 150092-WS, *In re: Request for approval of amendment to tariff for miscellaneous service charges by Marion Utilities, Inc.*

Discussion of Issues

Issue 1: Should Marion’s request to amend its miscellaneous service charges be approved?

Recommendation: Yes. Marion’s request to amend its miscellaneous service charges should be approved. Marion should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for services rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.). In addition, the approved charges should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (Thompson)

Staff Analysis: Section 367.091, F.S., authorizes the Commission to establish, increase, or change a rate or charge other than monthly rates or service availability charges. Rule 25-30.460, F.A.C., defines miscellaneous service charges as initial connection, normal reconnection, violation reconnection, and premises visit charges. The utility is requesting an amendment to its existing miscellaneous service charges as reflected below.

**Table 1-1
 Miscellaneous Service Charges**

Charge	Current		Proposed	
	Normal Hours	After Hours	Normal Hours	After Hours
Initial Connection	\$20	\$40	\$35	\$44
Normal Connection	\$20	\$40	\$35	\$44
Violation Connection	\$20	\$40	\$46	\$55
Premises Visit	\$20	\$40	\$22	\$26

Source: Utility Tariff and Utility Correspondence

The utility’s request was accompanied by its reason for requesting the amendment, as well as the cost justification required by Section 367.091, F.S. as reflected in Tables 1-2 through 1-4 below.

**Table 1-2
 Initial Connection and Normal Reconnection Cost Justification**

Activity	Normal Hours Cost	Activity	After Hours Cost
Labor (\$25.10/hr x .75hr)	\$18.83	Labor (\$37.65/hr x .75hr)	\$28.24
Transportation (\$.575/mile x 28 miles)	\$16.10	Transportation (\$.575/mile x 28 miles)	\$16.10
Total	\$34.93	Total	\$44.34

Source: Utility Correspondence

**Table 1-3
 Violation Reconnection Cost Justification**

<u>Activity</u>	<u>Normal Hours Cost</u>	<u>Activity</u>	<u>After Hours Cost</u>
Labor (\$25.10/hr x .75hr)	\$18.83	Labor (\$37.65/hr x .75hr)	\$28.24
Transportation (\$.575/mile x 28 miles)	\$16.10	Transportation (\$.575/mile x 28 miles)	\$16.10
Additional Administrative Time (\$25.77/hr x .41 hr)	\$10.57	Additional Administrative Time (\$25.77/hr x .41 hr)	\$10.57
Total	\$45.50	Total	\$54.91

Source: Utility Correspondence

**Table 1-4
 Premises Visit Cost Justification**

<u>Activity</u>	<u>Normal Hours Cost</u>	<u>Activity</u>	<u>After Hours Cost</u>
Labor (\$25.10/hr x .25hr)	\$6.28	Labor (\$37.65/hr x .25hr)	\$9.41
Transportation (\$.575/mile x 28 miles)	\$16.10	Transportation (\$.575/mile x 28 miles)	\$16.10
Total	\$22.38	Total	\$25.51

Source: Utility Correspondence

The utility's proposed charges are reasonable and similar to or lower than charges previously approved by the Commission for similar utilities.² Additionally, Commission practice has been to place the burden of such charges on the cost causer rather than the general body of ratepayers. This is consistent with one of the fundamental principles of rate making—ensuring that the cost of providing service is recovered from the cost causer.³

Based on the above, Marion's request to amend its miscellaneous service charges should be approved. Marion should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for services rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charges should not be implemented until staff has approved the proposed

²Order No. PSC-11-0199-PAA-WU, issued April 22, 2011, in Docket No. 100149-WU, *In re: Application for increase in water rates in Lee County by Ni Florida, LLC*; and Order No. PSC-08-0827-PAA-WS, issued December 22, 2008, in Docket No. 070694-WS, *In re: Application for increase in water and wastewater rates in Orange County by Wedgefield Utilities, Inc.*

³Order No. PSC-03-1119-PAA-SU, issued October 7, 2003, in Docket No. 030106-SU, *In re: Application for staff-assisted rate case in Lee County by Environmental Protection Systems of Pine Island, Inc.*; and Order 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.*

customer notice. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

Issue 2: What are the appropriate initial customer deposits for Marion Utilities, Inc.?

Recommendation: The appropriate initial customer deposits for water and wastewater should be \$55 for the residential 5/8" x 3/4" meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill. The utility should file revised tariff sheets consistent with the Commission's vote. The approved customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The utility should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding. (Thompson)

Staff Analysis: Rule 25-30.311, F.A.C., contains criteria for collecting, administering, and refunding customer deposits. Rule 25-30.311(1), F.A.C., requires that each company's tariff shall contain their specific criteria for determining the amount of initial deposits. Marion's current tariff authorizes the utility to collect initial customer deposits of \$35.00 for residential water 5/8" x 3/4" meter size and \$35.00 for residential and general service wastewater 5/8" x 3/4" meter size. Marion has requested an initial customer deposit of \$55 for the residential and general service 5/8" x 3/4" meter size for both water and wastewater. Customer deposits are designed to minimize the exposure of bad debt expense for the utility and, ultimately, the general body of rate payers. In addition, collection of customer deposits is consistent with one of the fundamental principles of rate making—ensuring that the cost of providing service is recovered from the cost causer.

Rule 25-30.311(7), F.A.C., authorizes utilities to collect new or additional deposits from existing customers not to exceed an amount equal to the average actual charge for water and/or wastewater service for two billing periods for the 12-month period immediately prior to the date of notice. The two billing periods reflect the lag time between the customer's usage and the utility's collection of the revenues associated with that usage. Commission practice has been to set initial customer deposits equal to two months bills based on the average consumption for a 12-month period for each class of customers. Staff reviewed the customer usage data and determined that the utility's proposed initial customer deposits are consistent with staff's methodology for initial customer deposits.

Staff recommends that the appropriate initial customer deposits should be \$55 for the residential and general service 5/8" x 3/4" meter size for water and wastewater. The initial customer deposit for all other residential and general service meter sizes should be two times the average estimated bill. The utility should file revised tariff sheets consistent with the Commission's vote. The approved customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The utility should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding.

Issue 3: Should the utility's requested meter tampering charge be approved?

Recommendation: Yes. Marion's request to implement a \$50 meter tampering charge should be approved. The charge should be effective for services rendered on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475, F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice. (Thompson)

Staff Analysis: Rule 25-30.320(2)(i), F.A.C., provides that a customer's service may be discontinued without notice in the event of tampering with the meter or other facilities furnished or owned by the utility. In addition, Rule 25-30.320(2)(j), F.A.C., provides that a customer's service may be discontinued in the event of an unauthorized or fraudulent use of service. The rule allows the utility to require the customer to reimburse the utility for all changes in piping or equipment necessary to eliminate the illegal use and to pay an amount reasonably estimated as the deficiency in revenue resulting from the customer's fraudulent use before restoring service.

Pursuant to Rule 25-30.345, F.A.C., a utility may charge a reasonable fee to defray the cost of restoring service that was discontinued for proper cause as specified in Rule 25-30.320, F.A.C. Consistent with a recent Commission decision, a meter tampering charge based on the typical costs to be incurred in investigating and resolving situations of meter tampering should be approved.⁴ The utility's request to implement a meter tampering charge of \$50 is reasonable and consistent with prior Commission decisions and should be approved. However, the charge is appropriate only where an investigation reveals evidence of meter tampering. As required by Section 367.091, F.S., the utility's cost analysis breakdown for its requested charge is shown below.

Table 3-1
Meter Tampering Charge Cost Justification

<u>Activity</u>	<u>Charge</u>
Master Locks	\$23.98
Labor	\$25.00
Total	\$48.98

Source: Utility Correspondence

Therefore, staff recommends that Marion's request to implement a \$50 meter tampering charge should be approved. The charge should be effective for services rendered on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice.

⁴Order No. PSC-12-0357-PAA-WU, issued July 10, 2012, in Docket No. 100048-WU, *In re: Application for increase in water rates in Marion County by Sunshine Utilities of Central Florida, Inc.*

Issue 4: Should the Commission approve Marion’s request to implement a convenience charge for customers who opt to pay their water or wastewater bill by debit or credit card?

Recommendation: Yes. Marion’s request to implement a convenience charge of \$2.50 for customers who opt to pay their water or wastewater bill by debit or credit card should be approved. The charge should be effective for services rendered on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice. (Thompson)

Staff Analysis: Section 367.091, F.S., authorizes the Commission to establish, increase, or change a rate or charge other than monthly rates or service availability charges. The utility is requesting a \$2.50 convenience fee to recover the cost of supplies, administrative labor, and equipment. As required by Section 367.091, F.S., the utility’s cost analysis breakdown for its requested charge is shown below.

**Table 4-1
Convenience Charge Cost Justification**

<u>Activity</u>	<u>Cost</u>
Clerical	\$1.27
Cost of Paper	\$.35
Credit Card Machine	<u>\$.88</u>
Total	<u>\$2.50</u>

Source: Response to Staff’s First Data Request

The Commission recently approved a charge of \$2.60 for customers who opt to pay their bill with debit or credit cards for Brevard Waterworks, Inc., LP Waterworks, Inc., and Lakeside Waterworks, Inc., among others.⁵ In those cases, the charges were designed to recover the cost of supplies, administrative labor, and equipment. The Commission has also approved charges in other industries for customers who opt to pay their bill by debit or credit card. An electronic bill payment fee of \$3.50 was approved for Florida Public Utilities Company’s (FPUC) gas customers in 2004.⁶ In that case, the Commission found the charge was necessary to recover the additional costs incurred by FPUC from customers who opt to pay by credit card, debit card, or electronic check. The Commission also approved a charge of \$3.50 for residential customers and 3.5 percent of the total bill amount for all other FPUC electric customers in 2005.⁷ The charge

⁵Order Nos. PSC-15-0188-TRF-WU, issued May 6, 2015, in Docket No. 150065-WU, *In re: Application for approval of miscellaneous service charges in Brevard County, by Brevard Waterworks, Inc.*; PSC-15-0180-TRF-WS, issued May 6, 2015, in Docket No. 150063-WS, *In re: Request for approval of amendment to tariff sheets for miscellaneous service charges in Highlands County by LP Waterworks, Inc.*; PSC-15-0184-TRF-WS, issued May 6, 2015, in Docket No. 150061-WS, *In re: Request for approval of amendment to tariff sheets for miscellaneous service charges in Lake County by Lakeside Waterworks, Inc.*

⁶Order No. PSC-04-1110-PAA-GU, issued November 8, 2004, in Docket No. 040216-GU, *In re: Application for rate increase by Florida Public Utilities Company.*

⁷Order No. PSC-05-0676-TRF-EI, issued June 20, 2005, in Docket No. 050244-EI, *In re: Request to establish charge for customers paying by credit card, debit card or electronic check, by the Florida Public Utilities Company.*

was designed to recover the costs incurred for customer contact, supervision, and bank and credit card processing.

Staff believes that the utility's requested charge of a \$2.50 convenience charge is reasonable for customers who opt to pay their water bill by debit or credit card. The utility's requested charge benefits the customers by allowing them to expand their payment options. Furthermore, this fee will insure the utility's remaining customers do not subsidize those customers who choose to pay using this option.

Based on the above, staff recommends that Marion's request to implement a convenience charge of \$2.50 for customers who opt to pay their water or wastewater bill by debit or credit card should be approved. The charge should be effective for services rendered on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 5: Should Marion be authorized to collect Non-Sufficient Funds (NSF) charges?

Recommendation: Yes. Marion should be authorized to collect NSF charges. Staff recommends that Marion revise its tariffs to reflect the NSF charges currently set forth in Sections 68.065 and 832.08(5), F.S. The NSF charges should be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. Furthermore, the charges should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date the notice was given within 10 days of the date of the notice. (Thompson)

Staff Analysis: Section 367.091, F.S., requires rates, charges, and customer service policies to be approved by the Commission. The Commission has authority to establish, increase, or change a rate or charge. Staff believes that Marion should be authorized to collect NSF charges consistent with Section 68.065, F.S., which allows for the assessment of charges for the collection of worthless checks, drafts, or orders of payment. As currently set forth in Sections 832.08(5) and 68.065(2), F.S., the following NSF charges may be assessed:

1. \$25, if the face value does not exceed \$50,
2. \$30, if the face value exceeds \$50 but does not exceed \$300,
3. \$40, if the face value exceeds \$300,
4. or five percent of the face amount of the check, whichever is greater.

Approval of NSF charges is consistent with prior Commission decisions.⁸ Furthermore, NSF charges place the cost on the cost-causer, rather than requiring that the costs associated with the return of the NSF checks be spread across the general body of ratepayers. As such, staff recommends that Marion revise its tariffs to reflect the NSF charges currently set forth in Sections 68.065 and 832.08(5) F.S. The NSF charges should be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. Furthermore, the NSF charges should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date the notice was given within 10 days of the date of the notice.

⁸Order Nos. PSC-14-0198-TRF-SU, issued May 2, 2014, in Docket No. 140030-SU, *In re: Request for approval to amend Miscellaneous Service charges to include all NSF charges by Environmental Protection Systems of Pine Island, Inc.*, and PSC-13-0646-PAA-WU, issued December 5, 2013, in Docket No. 130025-WU, *In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.*

Issue 6: Should this docket be closed?

Recommendation: No. The docket should remain open pending 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 tariff should remain in effect with the charge held subject to refund pending resolution of the protest. If no timely protest is filed, a consummating order should be issued and, once staff verifies that the notice of the charge has been given to customers, the docket should be administratively closed. (Janjic)

Staff Analysis: The docket should remain open pending staff's verification that the revised tariff sheet 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 tariff should remain in effect with the charge held subject to refund pending resolution of the protest. If no timely protest is filed, a consummating order should be issued and, once staff verifies that the notice of the charge has been given to customers, the docket should be administratively closed.