

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 22, 2015

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Thompson, Hudson) *AT*
Office of the General Counsel (Leathers) *IK P.O.C.*

RE: Docket No. 150215-WU – Request for approval of tariff amendment to include miscellaneous service charges for the Earlene and Ray Keen Subdivisions, the Ellison Park Subdivision and the Lake Region Paradise Island Subdivision in Polk County, by Keen Sales, Rentals and Utilities, Inc.

AGENDA: 01/05/16 – Regular Agenda – Tariff Filing - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 01/05/16 (60-Day Suspension Date – waived to the 1/5/16 Agenda)

SPECIAL INSTRUCTIONS: None

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2015 DEC 22 AM 9:35
COMMISSION
CLERK

Case Background

Keen Sales, Rentals and Utilities, Inc. (Keen or utility) is a Class C water utility operating in Polk County. Keen currently owns and operates two water systems in Polk County: Lake Region Paradise Island (Paradise Island) and Earlene and Ray Keen and Ellison Park Subdivisions (Keen subdivisions). This tariff filing is for all of the above mentioned systems. Keen provides water service to approximately 225 customers. The utility's 2014 annual report shows a consolidated net operating loss of \$31,256. On October 7, 2015, the utility filed an application to increase miscellaneous service charges and add late payment and non-sufficient funds charges. On November 13, 2015, Keen filed its waiver of the Commission's 60-day deadline, as set forth in Section 367.091(6), through January 5, 2016. This recommendation addresses the utility's

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requests. The Commission has jurisdiction pursuant to Section 367.091(6), Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should Keen's request to amend its miscellaneous service charges be approved?

Recommendation: Yes. Keen's request to amend its miscellaneous service charges should be approved. Keen should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective on or after the stamped approval date on the tariff sheets 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
	Paradise Island	Keen Subdivisions	All
Initial Connection	\$15	\$0	\$25
Normal Connection	\$15	\$0	\$25
Violation Connection	\$15	\$25	\$25
Premises Visit	\$10	\$0	\$15

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 and 1-3 below.

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

<u>Activity</u>	<u>Normal Hours Cost</u>
Labor (\$20/hr x .75hr)	\$15.00
Transportation (\$.575/mile x 20 miles)	\$11.50
Total	\$26.50

Source: Utility Correspondence

**Table 1-3
Premises Visit Cost Justification**

<u>Activity</u>	<u>Normal Hours Cost</u>
Labor (\$20/hr x .15hr)	\$3.00
Transportation (\$.575/mile x 20 miles)	\$11.50
Total	\$14.50

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.¹ 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.²

Based on the above, Keen's request to amend its miscellaneous service charges should be approved. Keen should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved 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. 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.

¹Order 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*; 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.*

²Order 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.*; 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.*

Issue 2: Should Keen be authorized to collect Non-Sufficient Funds (NSF) charges?

Recommendation: Yes. Keen should be authorized to collect NSF charges for both systems. Staff recommends that Keen 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 Keen 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.³ 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, Keen should be authorized to collect NSF charges for both systems. Staff recommends that Keen revise its tariff sheet 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.

³Order No. 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.*; Order No. 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 3: Should Keen's request to implement a \$5 late payment charge for the Keen subdivisions be approved?

Recommendation: Yes. Keen's request to implement a \$5 late payment charge for the Keen subdivisions should be approved. Keen should be required to file a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective 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 charge 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: The utility is requesting a \$5 late payment charge for Keen subdivisions to recover the cost of supplies and labor associated with processing late payment notices. The utility already has a \$5 late payment charge for Paradise Island. The utility's request for a late payment charge was accompanied by its reason for requesting the charge, as well as the cost justification required by Section 367.091, F.S.

The utility has a total of 125 customer accounts in the Keen subdivisions and, according to the utility, there is a substantial amount of customers that do not pay by the due date each billing cycle. Based on historical data and the monthly billing cycle, the utility anticipates it will prepare late payment notices for approximately 40 accounts per billing cycle for these subdivisions. In the past, the Commission has allowed 10-15 minutes per account per month for clerical and administrative labor to research, review, and prepare the notice.⁴ The utility indicated it will spend approximately 10 hours per billing cycle processing late payment notices, which results in an average of approximately 15 minutes per account (600 minutes/40 accounts) and is consistent with past Commission decisions. The late payment notices will be processed by the account manager, which results in labor cost of \$5.00 (10x\$20/40) per account. The cost basis for the late payment charge, including the labor, is shown below.

**Table 3-1
Cost Basis for Late Payment Charge**

Labor	\$5.00
Printing	\$0.20
Postcard/Postage	<u>\$0.34</u>
Total Cost	<u>\$5.54</u>

⁴Order No. PSC-11-0204-TRF-SU, in Docket No. 100413-SU, issued April 25, 2011, *In re: Request for approval of tariff amendment to include a late fee of \$14.00 in Polk County by West Lakeland Wastewater.*; Order No. PSC-08-0255-PAA-WS, in Docket No. 070391-WS, issued April 24, 2008, *In re: Application for certificates to provide water and wastewater service in Sumter County by Orange Blossom Utilities, Inc.*; Order No. PSC-01-2101-TRF-WS, in Docket No. 011122-WS, issued October 22, 2001, *In re: Tariff filing to establish a late payment charge in Highlands County by Damon Utilities, Inc.*

Based on staff's research, since the late 1990s, the Commission has approved late payment charges ranging from \$2.00 to \$7.00.⁵ 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 accounts solely upon those who are cost causers.

Based on the above, staff recommends that Keen's request to implement a \$5 late payment charge for the Keen subdivisions should be approved. Keen should be required to file a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge 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.

⁵Order Nos. PSC-01-2101-TRF-WS; Order No. PSC-08-0255-PAA-WS; Order No. PSC-09-0752-PAA-WU, in Docket No. 090185-WU, issued November 16, 2009, *In re: Application for grandfather certificate to operate water utility in St. Johns County by Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility.*; Order No. PSC-10-0257-TRF-WU, in Docket No. 090429-WU, issued April 26, 2010, *In re: Request for approval of imposition of miscellaneous service charges, delinquent payment charge and meter tampering charge in Lake County, by Pine Harbour Water Utilities, LLC.*; Order No. PSC-11-0204-TRF-SU; Order No. PSC-14-0105-TRF-WS, in Docket No. 130288-WS, issued February 20, 2014, *In re: Request for approval of late payment charge in Brevard County by Aquarina Utilities, Inc.*

Issue 4: Should this docket be closed?

Recommendation: 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 sheets should remain in effect with the charges 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 charges has been given to customers, the docket should be administratively closed. (Leathers)

Staff Analysis: 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 sheets should remain in effect with the charges 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 charges has been given to customers, the docket should be administratively closed.