

State of Florida



# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

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COMMISSION CLERK

**DATE:** May 26, 2016

**TO:** Office of Commission Clerk (Stauffer)

**FROM:** Division of Economics (Johnson, Hudson)  
Office of the General Counsel (Leathers)

**RE:** Docket No. 160104-WS – Application for NSF and late payment charges in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities Inc. of Florida.

**AGENDA:** 06/09/16 – Regular Agenda – Tariff Filing – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** 06/20/16 (60-day suspension date)

**SPECIAL INSTRUCTIONS:** None

## Case Background

Utilities, Inc. of Florida (UIF or utility) is a Class A water and wastewater utility serving approximately 33,193 water and 26,450 wastewater utility customers in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties.

Following the consolidation of the utility's systems in Docket No. 150235-WS, the utility requested a revision of its non-sufficient funds (NSF) charges and late payment charges so that the charges would be consistent across all systems. On April 20, 2016, UIF filed an application for approval of NSF charges and late payment charges for those systems in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties that do not currently have those approved charges. UIF currently has only two systems, formerly known as Lake Placid Utilities, Inc. and Cypress Lakes Utilities, Inc., that have an approved late payment charge. Additionally, UIF has only three systems, formerly known as Utilities, Inc. of

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Sandalhaven, Tierra Verde Utilities, Inc., and Utilities, Inc. of Eagle Ridge, that do not have an approved NSF charge. This recommendation addresses UIF's request for approval of a late payment charge and NSF charges. The Commission has jurisdiction to consider this matter pursuant to Section 367.091(6), Florida Statutes (F.S.).

### Discussion of Issues

**Issue 1:** Should UIF's current late payment charge of \$5.25 be applied to all of UIF's systems?

**Recommendation:** Yes. UIF's request to uniformly implement a late payment charge of \$5.25 should be approved. UIF should be required to file a proposed customer notice to reflect the Commission-approved charge for those systems where the charge is not currently approved. The approved charge 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 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 ten days after the date of the notice. (Johnson)

**Staff Analysis:** Section 367.091(6), 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 \$5.25 late payment charge for those systems that do not currently have an approved late payment charge to recover the cost of supplies and labor associated with processing late payment notices. 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(6), F.S.

Approximately 1.61 percent or 960 (1.61% x 59,642) of UIF's bills are delinquent on a monthly basis. The utility's requested charge is based on an aggregate of all UIF systems. The utility indicated that it processes six late payment charges an hour. UIF's combined employees' salary is \$44.68 per hour and at six transactions an hour results in a labor cost of \$7.45 (\$44.68/6). UIF provided a cost justification for a late payment charge of \$8.14. The cost basis for the late payment charge, including labor, is shown below.

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

Labor	\$7.45
Printing	0.20
Postage	<u>0.49</u>
Total	<u>\$8.14</u>

For administrative efficiency, the utility would like to have a unified late payment charge for all UIF systems. Therefore, the utility is only requesting a charge of \$5.25, which is the previously approved charge for two UIF systems, formerly known as Lake Placid Utilities, Inc. and Cypress Lakes Utilities, Inc.<sup>1</sup> Staff believes the cost justification provided by the utility indicates that the requested late payment charge of \$5.25 for the remaining UIF systems is reasonable.

<sup>1</sup> See Order Nos. PSC-14-0335-PAA-WS, in Docket No. 130243-WS, issued June 30, 2014, *In re: Application for staff-assisted rate case in Highlands County by Lake Placid Utilities Inc.*; PSC-14-0283-PAA-WS, in Docket No. 130212-WS, issued May 30, 2014, *In re: Application for increase in water/wastewater rates in Polk County by Cypress Lakes 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.<sup>2</sup> 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 UIF's request to implement a uniform late payment charge of \$5.25 be approved. UIF should be required to file a proposed customer notice to reflect the Commission-approved charge for those systems where the charge is not currently approved. The approved charge 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 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 ten days after the date of the notice.

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<sup>2</sup> See Order Nos. PSC-14-0335-PAA-WS, in Docket No. 130243-WS, issued June 30, 2014, *In re: Application for staff-assisted rate case in Highlands County by Lake Placid Utilities Inc.*; 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.*; PSC-13-0177-PAA-WU, in Docket No. 130052-WU, issued April 29, 2013, *In re: Application for grandfather certificate to operate water utility in Charlotte County by Little Gasparilla Water Utility, Inc.*; 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.*; and 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.*

**Issue 2:** Should UIF's current NSF charge be applied to all of UIF's systems?

**Recommendation:** Yes. UIF's request to uniformly implement a NSF charge should be approved. Staff recommends that UIF revise its tariffs to reflect the NSF charges currently set forth in Section 68.065, F.S. UIF should be required to file a proposed customer notice to reflect the Commission-approved charge for those systems where the charge is not currently approved. 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. (Johnson)

**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.

Three of UIF's wastewater systems, formerly known as Utilities, Inc. of Sandalhaven, Tierra Verde Utilities, Inc., and Utilities, Inc. of Eagle Ridge, do not currently have an approved NSF charge. Staff believes that UIF 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 Section 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.<sup>3</sup> 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, UIF should be authorized to collect NSF charges for all systems. Staff recommends that UIF revise its tariff sheet to reflect the NSF charges currently set forth in Section 68.065, F.S. UIF should be required to file a proposed customer notice to reflect the Commission-approved charge for those systems where the charge is not currently approved. 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.

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<sup>3</sup>Order 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 3:** Should this docket be closed?

**Recommendation:** If Issue 1 and 2 are approved, the docket should remain open for 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 all 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. (Johnson, Leathers)

**Staff Analysis:** If Issue 1 and 2 are approved, the docket should remain open for 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 all 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.