

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: January 25, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Friedrich, Hudson) *MF & PD*
Office of the General Counsel (Taylor) *DT JSC*

RE: Docket No. 20170255-WS – Request for approval of amendment to tariff to charge miscellaneous service charges and to collect customer deposits in Polk County, by Deer Creek RV Golf & Country Club, Inc.

AGENDA: 02/06/18 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 1/29/17 (60-Day Suspension Date Waived by the Utility to 2/6/17)

SPECIAL INSTRUCTIONS: None

COMMISSION
CLERK

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Case Background

Deer Creek RV Golf & Country Club, Inc. (Deer Creek or utility) is located in Polk County. The utility consists primarily of mobile homes and provides water and wastewater services to approximately 862 residential customers and 22 general service customers. Deer Creek was granted its original certificates and approved water and wastewater rates in Docket No. 20160248-WS on November 17, 2017.¹ Deer Creek does not operate either a water treatment facility or a wastewater treatment facility; it purchases those services from Polk County. Deer Creek does maintain the water and wastewater lines that serve the Deer Creek communities.

On December 1, 2017, the utility filed an application requesting Commission approval of miscellaneous service, late payment, meter tampering, and non-sufficient funds charges as well as, customer deposits. Section 367.081(6), Florida Statutes (F.S.), provides that the Commission may, for good cause, withhold consent of implementation of the requested rates within 60 days after the date the rate request is filed. The original 60-day statutory deadline for the Commission to suspend the utility's initial rates and charges was January 29, 2018. However, by letter dated December 19, 2017, the utility agreed to extend the statutory time frame by which the Commission is required to address the suspension of Deer Creek's requested charges and customer deposits to February 6, 2018. In addition to the utility's letter extending the 60-day statutory deadline, on December 19, 2017, Deer Creek filed an amended cost justification for its requested meter tampering charge. On January 22, 2018, the utility filed an additional revision to amend its requested miscellaneous service charges, investigation of meter tampering charge, and customer deposits. This recommendation addresses the utility's request. The Commission has jurisdiction pursuant to Sections 367.081(6) and 367.091, F.S.

¹Order No. PSC-2017-0440-FOF-WS, issued November 17, 2017, in Docket No. 20160248-WS, *In re: Application for original certificates to provide water and wastewater service in Polk County by Deer Creek RV Golf & Country Club, Inc.*

Discussion of Issues

Issue 1: Should the miscellaneous service charges requested by Deer Creek RV Golf & County Club, Inc. be approved?

Recommendation: Yes. The utility's requested miscellaneous service charges should be approved. The utility's requested miscellaneous service charges are identified in Table 1-5. The charges should be effective on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, Florida Administrative Code (F.A.C.). In addition, the approved charges 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. (Friedrich)

Staff Analysis: Deer Creek currently does not have any authorized miscellaneous service charges. Section 367.091, F.S., authorizes the Commission to establish miscellaneous service charges. Deer Creek's request was accompanied by its reason for requesting the charges, as well as the cost justification required by Section 367.091(6), F.S. The utility did not request recovery of transportation costs within its miscellaneous service charges because the field employee performing the miscellaneous services will travel by a golf cart to the customer rather than an automobile. The utility further explained the appropriateness of transportation by golf cart since the service territory of the utility is composed of five compact mobile home parks in close proximity. Additionally, the utility is requesting recovery of regulatory assessment fees (RAFs) associated with miscellaneous service charges.

The utility's cost justification for its requested miscellaneous service charges is shown in Tables 1-1 through 1-4. Staff believes the utility's request is appropriate and the charges should be approved. Table 1-5 displays a summary of the utility's requested miscellaneous service charges.

Initial Connection Charge

The initial connection charge is levied for service initiation for new customers. A utility representative makes one trip when performing the service of an initial connection. Staff recommends an initial connection charge for Deer Creek's water and wastewater systems of \$11.70. The calculation is shown in Table 1-1.

Table 1-1
Initial Connection Charge Calculation

Activity	Cost
Administrative Labor (\$22/hr x 1/4 hr)	\$5.50
Field Labor (\$17/hr x 1/3 hr)	\$5.67
Markup for RAFs	\$0.53
Total	\$11.70

Source: Utility's Cost Justification

Normal Reconnection Charge

A normal reconnection charge is levied for the reconnection of service subsequent to a customer requested disconnection. A normal reconnection requires two trips, which includes one to turn service off and the other to turn service on. Staff recommends a normal reconnection charge for Deer Creek's water and wastewater systems of \$20.50. The calculation is shown in Table 1-2.

Table 1-2
Normal Reconnection Charge Calculation

Activity	Cost
Administrative Labor (\$22/hr x 1/4 hr x 2)	\$11.00
Field Labor (\$17/hr x 1/4 hr x 2)	\$8.50
Markup for RAFs	\$0.92
Total	\$20.42

Source: Utility's Cost Justification

Violation Reconnection Charge

The violation reconnection charge is levied prior to reconnection of an existing customer after discontinuance of service for cause. The service performed for violation reconnection requires two trips, which includes one trip to turn off service and a subsequent trip to turn on service once the violation has been remedied. Staff recommends a violation reconnection charge for Deer Creek's water system of \$20.50. However for Deer Creek's wastewater system, this charge should be at actual cost pursuant to Rule 25-30.460(1)(c), F.A.C. The calculation is shown in Table 1-3.

Table 1-3
Violation Reconnection Charge Calculation

Activity	Cost
Administrative Labor (\$22/hr x 1/4 hr x 2)	\$11.00
Field Labor (\$17/hr x 1/4 hr x 2)	\$8.50
Markup for RAFs	\$0.92
Total	\$20.42

Source: Utility's Cost Justification

Premises Visit Charge

The premises visit charge is levied when a service representative visits the premises at the customer's request for complaint resolution and the problem is found to be the customer's responsibility. In addition, the premises visit charge can be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill, and does not discontinue service because the customer pays the service representative or

otherwise makes satisfactory arrangements to pay the bill. A premises visit requires one trip. Staff recommends a premises visit charge for Deer Creek’s water and wastewater systems of \$11.70. The calculation is shown in Table 1-4.

**Table 1-4
 Premises Visit Charge Calculation**

Activity	Cost
Administrative Labor (\$22/hr x 1/4 hr)	\$5.50
Field Labor (\$17/hr x 1/3 hr)	\$5.67
Markup for RAFs	\$0.53
Total	\$11.70

Source: Utility’s Cost Justification

Conclusion

Based on the aforementioned, the utility’s requested miscellaneous service charges should be approved. The utility’s requested miscellaneous service charges are identified in Table 1-5. The charges should be effective on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges 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.

**Table 1-5
 Miscellaneous Service Charges**

	Utility Requested
Initial Connection Charge	\$11.70
Normal Reconnection Charge	\$20.50
Violation Reconnection Charge (Water Only)	\$20.50
Violation Reconnection Charge (Wastewater Only)	Actual Cost
Premises Visit Charge	\$11.70

Source: Utility’s Cost Justification

Issue 2: Should Deer Creek RV Golf & Country Club, Inc.'s request to implement a \$6.50 late payment charge be approved?

Recommendation: Yes. Deer Creek's request to implement a \$6.50 late payment charge should be approved. Deer Creek 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. (Friedrich)

Staff Analysis: The utility is requesting a \$6.50 late payment charge to recover the cost of supplies and labor associated with processing late payment notices. The utility does not currently have an approved late payment charge. Deer Creek'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 780 customer accounts and, according to the utility, there are approximately 39 customers or five percent of the customer base with delinquent bills each month. The utility indicated it will spend approximately 9.75 hours each month or 15 minutes per account to research, compile, and produce late notices. This is consistent with prior Commission decisions where the Commission has allowed 10-15 minutes per account per month for the administrative labor associated with processing delinquent customer accounts.² The delinquent customer accounts will be processed by the administrative employee, which results in labor cost of \$5.50 (\$22.00x0.25hr) per account. Additionally, the utility requested recovery of the costs of supplies, postage, and RAFs associated with processing delinquent accounts. The utility's calculation for its requested late payment charge is shown in Table 2-1.

**Table 2-1
Late Payment Charge**

Labor	\$5.50
Supplies	\$0.22
Postage	\$0.49
Markup for RAFs	\$0.29
Total	\$6.50

Source: Utility's Cost Justification

²Order No.s PSC-16-0041-TRF-WU, in Docket No. 20150215-WU, issued January 25, 2016, *In re: 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.* and PSC-15-0569-PAA-WS, in Docket No. 20140239-WS, issued December 16, 2015, *In re: Applicatino for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.*

Based on staff's research, over the past seven years the Commission has approved late payment charges ranging from \$4.90 to \$7.15.³ 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 Deer Creek's request to implement a \$6.50 late payment charge should be approved. Deer Creek 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.

³ See Order Nos. PSC-14-0105-TRF-WS, in Docket Nos. 130288-WS, issued February 20, 2014, *In re: Request for approval of late payment charge in Brevard County by Aquarina Utilities, Inc.*; PSC-15-0535-PAA-WU in Docket No. 20140217-WU, issued November 19, 2015, *In re: Application for staff-assisted rate case in Sumter County by Cedar Acres, Inc.*; and PSC-15-0569-PAA-WS in Docket No. 20140239-WS, issued December 16, 2015, *In re: Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.*

Issue 3: Should the investigation of meter tampering charge requested by Deer Creek RV Golf & Country Club, Inc. be approved?

Recommendation: Yes. Deer Creek’s request to implement a \$24 investigation of 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. (Friedrich)

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.

Deer Creek requested an investigation of meter tampering charge of \$24 which included the recovery of administrative support, field support, and RAF costs associated with the investigation of meter tampering. Consistent with its cost justification provided for miscellaneous service charges in Issue 1, the utility is not requesting recovery of transportation costs through its proposed investigation of meter tampering charge because the field employee will travel to customers via golf cart. The investigation of meter tampering charge is appropriate only where an investigation reveals evidence of meter tampering.⁴ Staff recommends the utility’s requested charge is appropriate and should be approved. The utility’s requested investigation of meter tampering charge is shown in Table 3-1.

Table 3-1
Investigation of Meter Tampering Charge

	Utility Requested
Administrative Support	\$5.50
Field Support	\$17.00
Markup for RAFs	\$1.06
Total	\$23.56
Requested Charge	\$24.00

Source: Utility’s Cost Justification

⁴Order Nos. PSC-2017-0367-PAA-WU, issued September 29, 2017, in Docket No. 20160193-WU, *In re: Application for approval of transfer of certain water facilities and Certificate No. 619-W from McLeod Gardens Water Company to McLeod Gardens Utilities, LLC, in Polk County*; PSC-2017-0144-PAA-WU, issued April 27, 2017, in Docket No. 20160143-WU, *In re: Application for staff-assisted rate case in Hardee County by Charlie Creek Utilities, LLC*; and PSC-17-0092-PAA-WU, issued March 13, 2017, in Docket No. 20160144-WU, *In re: Application for transfer of Certificate No. 288-W in Pasco County from Orangeland Water Supply to Orange Land Utilities, LLC*.

Based on the above, Deer Creek's request to implement a \$24 investigation of 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

Issue 4: Should Deer Creek RV Golf & Country Club, Inc. be authorized to collect Non-Sufficient Funds (NSF) Charges?

Recommendation: Yes. Deer Creek should be authorized to collect NSF charges. Staff recommends that the utility revise its tariffs to reflect the NSF charges currently set forth in Sections 68.065 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. (Friedrich)

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 Deer Creek 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.⁵ 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, Deer Creek should be authorized to collect NSF charges. Staff recommends that Deer Creek revise its tariff sheets 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.

⁵Order 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 5: Should the requested initial customer deposits for Deer Creek RV Golf & Country Club, Inc. be approved?

Recommendation: Yes. The appropriate initial customer deposits are \$16 for water and \$44 for wastewater service 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 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. (Friedrich)

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 its specific criteria for determining the amount of initial deposits. Deer Creek's current tariff does not authorize the utility to collect initial customer deposits. Deer Creek has requested an initial customer deposit of \$16 for water and \$44 for wastewater service for the residential service 5/8" x 3/4" meter size. The utility also requested initial customer deposits for all other meter sizes based on two times the average estimated bill. 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 provided by the utility and agree with the utility's determination that the average residential usage is approximately 1,904 gallons per month for both water and wastewater service. Consequently, the average residential monthly bill is approximately \$8.03 for water and \$21.85 for wastewater service.

Based on the above, the appropriate initial customer deposits are \$16 for water and \$44 for wastewater service 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 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 6: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. 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. Once these actions are complete, this docket should be closed administratively. (Taylor)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. 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. Once these actions are complete, this docket should be closed administratively.