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**Public Service Commission** COMMISSION  
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TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** March 24, 2011

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

**FROM:** Division of Economic Regulation (Bruce, Stallcup) *BR*  
Office of the General Counsel (Williams) *ARW JSC CRB*

**RE:** Docket No. 100413-SU – Request for approval of tariff amendment to include a late fee of \$14.00 in Polk County by West Lakeland Wastewater.

**AGENDA:** 04/05/11 – Regular Agenda – Tariff Filing - Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** 06/01/11 (8-Month Effective Date)

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\100413.RCM.DOC

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**Case Background**

West Lakeland Wastewater, Inc. (West Lakeland or Utility) is a Class C wastewater utility serving approximately 315 wastewater customers in Polk County. This area is in the Southwest Florida Water Management District and is considered a water use caution area. Water service is provided by the City of Lakeland. The Utility's 2009 annual report shows operating revenue of \$31,095 and net operating loss of \$4,620.

On October 1, 2010, the Utility filed an application for approval of a late payment fee of \$14.00. Order No. PSC-10-0716-PCO-SU, issued December 8, 2010, suspended the Utility's tariff filing to allow staff sufficient time to review the application and gather all pertinent information.

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FPSC-COMMISSION CLERK

Docket No. 100413-SU  
Date: March 24, 2011

This recommendation addresses West Lakeland's request for approval of tariff amendment to include a late fee of \$14.00. The Commission has jurisdiction pursuant to Section 367.091, Florida Statutes (F.S.).

### **Discussion of Issues**

**Issue 1:** Should the Commission approve West Lakeland Wastewater Inc.'s tariff to include a \$14.00 late payment fee in Polk County?

**Recommendation:** No. West Lakeland Wastewater Inc.'s request to implement a \$14.00 late payment charge should not be approved. Instead, the Commission should approve a late payment charge of \$7.00 as requested in the Utility's amended December 13, 2010 filing. The late payment charge should be effective for services rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, Florida Administrative Code (F.A.C.). (Bruce)

**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's request for a late payment charge was accompanied by a cost justification as required by Section 367.091, F.S.

The Commission handles late payment fee requests on a case by case basis. This case is unique in that the Utility has a total of 315 wastewater customers and, according to Mr. Smallridge, the Utility Receiver, one-third of the customer base is consistently delinquent in rendering payment each month. This results in approximately 30 percent of the wastewater revenues being submitted late each month, causing the utility to incur costs to secure funding from other sources to meet monthly expenses. Mr. Smallridge provided proof of those additional financing expenses. Further, he notes that utility personnel incurs additional costs to make several trips to the bank to deposit delinquent payments as they come in to ensure adequate cash flow.

Since the Utility provides wastewater service only, disconnecting wastewater service for non-payment is problematic, both in terms of cost and customer dissatisfaction. Additional equipment, such as a back hoe, would be required to dig up the customer's yard to plug the line. To reconnect upon payment would result in similar disruption, including the need to restore any landscaping or grass disturbed by the excavation of the line.

After reviewing the initial cost justification provided by the Utility in its October 1, 2010 filing, staff expressed concerns about certain costs used to support the originally requested \$14 charge. Staff noted specifically that the Utility's requested time of one-half hour for clerical and administrative labor to process a late payment notice appeared unreasonable. In the past, the Commission has approved a time of 10 to 12 minutes to process a late payment notice.

On December 13, 2010, the Utility filed a revised petition in which it requested that the late payment charge be set at \$7.00 rather \$14.00. The Utility's original filing included some costs that were high and did not include supporting documents. Therefore, staff recommended to the Utility that it revise its original filing. Among the changes made in the revised filing was a reduction in staff processing time from one-half hour to one-fifth of an hour, which is more in line with what the Commission has approved in the past. Staff reviewed the cost justification provided to support this revised charge and found it to be reasonable.

The Utility's revised cost includes \$5.78 for labor, \$0.30 for computer and equipment costs, \$0.56 supply costs per mailing (postage, envelope, and paper), and \$.05 for trip mileage for additional deposit for a total of \$6.69. The Utility has rounded the request up to \$7.00. The cost basis for late payment fee is shown below.

**Cost Basis for Late Payment Fee**

Labor & Labor to Deposit Fees	\$5.78
Office Supplies/Computer	\$ .30
Supply Costs per Mailing	\$ .56
Trip Mileage	<u>\$ 0.05</u>
Total	\$6.69
Total Requested and Recommended	\$7.00

Based on staff's research, since the late 1990s, the Commission has approved late payment fees in the amount of \$5.00 and approved a few late payment fees in the amount of \$6.00 as early as 2001.<sup>1</sup> Therefore, the Utility's requested late payment fee of \$7.00 is higher than the Commission has typically approved in the past for late payment fees. However, staff believes the Utility's requested late payment charge is very reasonable considering the circumstances and should therefore be approved. Also, staff believes that 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 delinquencies solely upon those who are cost causers.

Based on the above, staff recommends that West Lakeland Wastewater Inc.'s request to implement a \$14.00 late payment charge should not be approved. Instead, the Commission should approve a late payment charge of \$7.00 as requested in the Utility's amended December 13, 2010 filing. The late payment charge should be effective for services rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C.

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<sup>1</sup> 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.; 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-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.

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes. If Issue 1 is approved, 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. The revised tariff sheets should become effective on or after the stamped approval date on the revised tariff sheets, pursuant to Rule 25-30.475, F.A.C. If a protest is filed within 21 days of the issuance date of the Order, the tariff should remain in effect with all increased charges held subject to refund pending resolution of the protest, and the docket should remain open. If no timely protest is filed, a consummating order should be issued and, once staff verifies that the notice of the change in miscellaneous service charges has been given to customers, the docket should be administratively closed. (Williams, Bruce)

**Staff Analysis:** Yes. If Issue 1 is approved, 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. The revised tariff sheets should become effective on or after the stamped approval date on the revised tariff sheets, pursuant to Rule 25-30.475, F.A.C. If a protest is filed within 21 days of the issuance date of the Order, the tariff should remain in effect with all increased charges held subject to refund pending resolution of the protest, and the docket should remain open. If no timely protest is filed, a consummating order should be issued and, once staff verifies that the notice of the change in miscellaneous service charges has been given to customers, the docket should be administratively closed.